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MANAGING YOUR BUSINESS

Adequate child care can help companies keep employees happy. Here Kerney Patrick visits his son, Jason, at a Dominion Bankshares Corporation day care center. Officials of the Virginia company say the center improves staff productivity. (Page 16)

PHOTO: T. MICHAEL KEZA

Cover: T. Michael Keza

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DEPARTMENTS

Robert Dunlap and his daughter Rachel, 13, have a thriving business partnership. They create animated film shorts that are hits abroad. (Page 73)

PHOTO: CHRISTOPHER CASLER

COMMENTARY

Liberal Arts And Business

By Daniel R. DeNicola

What is it you are looking for when you set out to hire an employee? You try to put your expectations into the job description or ad—but what you say always seems to fall short.

Of course, you expect basic literacy, and you probably want competence at certain technical tasks. You may demand experience at a similar job. You want someone who gets along well with co-workers. What else could you expect?

The attributes you have listed will fill a pressing short-run need. Your company's long-term health requires more.

Businesses large and small thrive on employees with talent, commitment and ability to learn. They need people who can read and write well. They need men and women who can recognize, define and analyze a problem; who can imagine, research and synthesize solutions; who can present and evaluate the results effectively.

Above all, since the world is new every day, they need people who have learned how to learn.

What is missing from your job description is fundamental: You need someone who is liberally educated.

The best preparation for a career in business is a strong liberal arts education. The record supports my assertion.

Liberal arts graduates often obtain lower entry-level jobs in some industries, but they tend to outdistance their peers over the long haul. A recent survey of prominent chief executive officers revealed a disproportionately large number of liberal arts graduates.

When so many educators and leading business people know about this link between liberal arts and business, why is it not more widely understood?

Part of the problem is our fondness for specialization. It seems so obvious that someone destined for a career in business should specialize in the study of business.

But "business" is a false specialization. The business world includes small companies and large multinationals, organizations that are nonprofit and for-profit, public and private companies, and enormously complex volunteer organizations. It is a vast and diverse world. Under a broad definition, nearly everyone who works has a career in business.

An undergraduate major is supposed to provide depth of study of a single field. Business is not a single field.

Still, colleges and universities market their undergraduate business degrees to planeloads of recruiters. Rollins College is not one of those schools. We eliminated our undergraduate business administration program—when more than one third of our students were business majors!

"The best preparation for a career in business is a strong liberal arts education. The record supports my assertion."

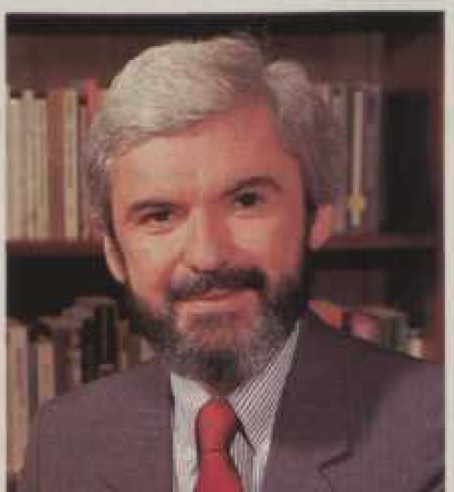

PHOTO: CARROLL MORGAN

Formal schooling can indeed appropriately focus a depth of study on business—but at the graduate level, through a master of business administration degree. Such schooling works best if the student has previous significant work experience.

A liberal arts education is often contrasted with training. Well-trained persons know what to do in a specific situation. But they may not know why they do it; they may know the skill but not when to refrain from using it; they may know how to do the job but not when to leave it.

Training is certainly important—and even liberal arts majors are required to master certain techniques—but it really helps an organization only when done in a context of broader perspective and intelligent purpose.

The Greek words usually translated as "liberal arts" might just as appropriately be translated as "the skills of freedom." Such an education gives you knowledge, skills and attitudes that enable you to be truly free and effective, to be a generalist who can get the most out of practical experience and advanced study. (Studying philosophy, for example, shows you how to think critically—disclosing hidden assumptions and values, formulating problems clearly, and discerning the impact of ideas. It is an inoculation against empty slogans, hype and blind conformity. And, like other liberal arts disciplines, it deepens your understanding of which tasks are worth the trouble.)

This assumes, of course, a strong liberal arts program. Quality control is a problem for colleges, too, and employers have every right to complain of liberal arts graduates who can't write or even think well. Nevertheless, the message is getting out. Rollins has received an increasingly favorable response to its risky decision to eliminate the business major—from parents, prospective students, educators and corporate recruiters.

One final point: Liberal education does not end with the baccalaureate degree. It is a lifelong project and delight. It needs time and a hospitable environment. Businesses can do their part by encouraging the "skills of freedom" of their employees, by rewarding those who can both analyze well and keep the big picture in sight.

If a new recruit thinks his education was completed in college, throw him back—he didn't get the point. But when you have hired well, encourage the employee. Give his liberal arts education time, tasks and resources that will enable that education to prove its value and vibrancy. NB

Guest columnist Daniel R. DeNicola is vice president for academic affairs/provost and professor of philosophy at Rollins College, Winter Park, Fla.

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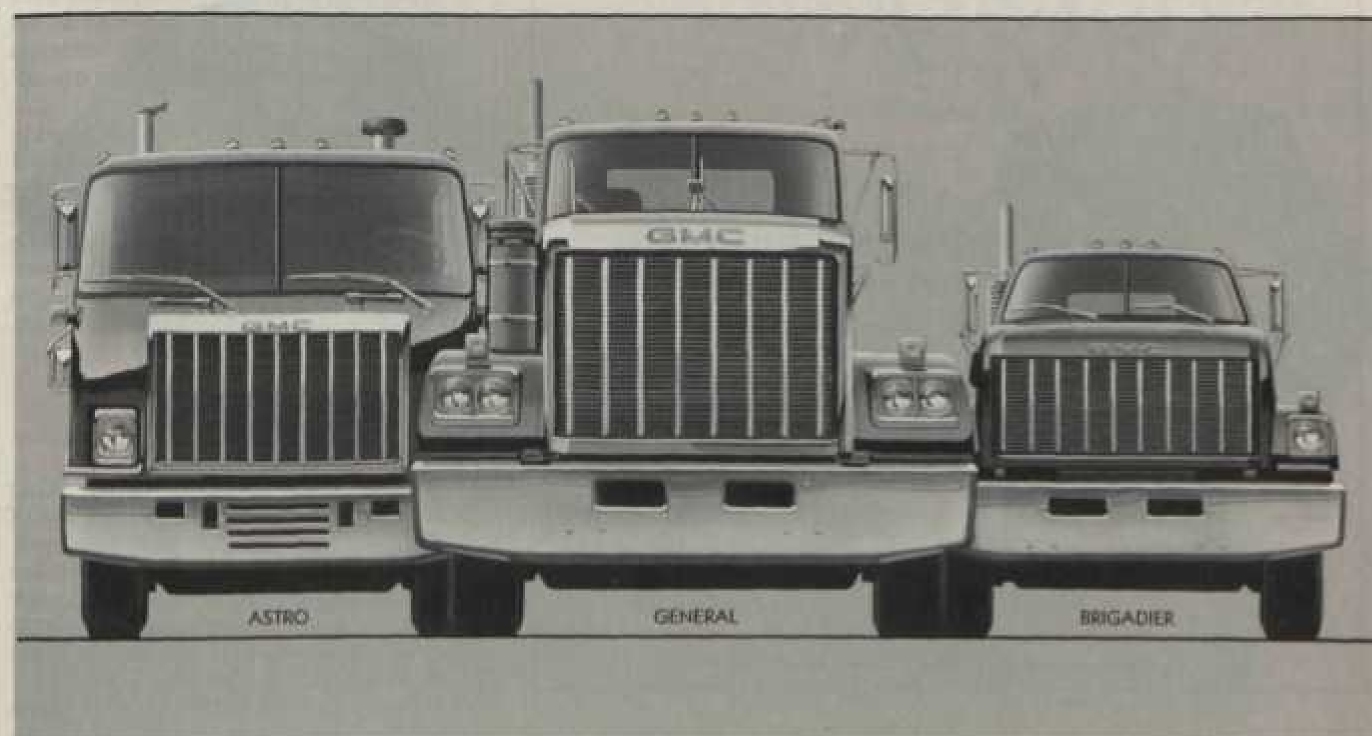

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COMMENTARY

Letters

Readers tell us about teenage employment, difficult decisions, health care competition, liability and older entrepreneurs.

Right Under Our Noses

In response to your article, "Where Are The Teenagers?" [August], I will tell you where they are. They are right here in the Midwest—right where they have always been. I was quite upset when I read your article about companies lacking teenage employees. I am a college junior, and for the past four years I have struggled and begged to find a job for the summer.

Most of my friends echo this. We are not illiterate or too good to work at gas stations. Many people (teens especially) living in this part of the country have trouble getting jobs in the cities because it is such a long drive.

If businesses are genuinely interested in getting summer help, why don't they offer a program to get those of us in the country a job in town? Why are businesses complaining about lack of help when there are so many young kids in the Midwest and elsewhere who would love to work?

Just for the record, I'm still looking for a job for next summer.

Melissa Townsend
Middletown, Ohio

"Where Are The Teenagers?" failed to point out all the statistics. The picture isn't quite so bleak, at least for the long-range future. The author failed to mention that U.S. birthrates (according to the *Statistical Abstract of the U.S.*) reached their lowest point in 1973 and then began increasing.

With one or two exceptions, they have increased steadily every year since then. That means the teenage working population should begin increasing again after 1990. While it is true that the population aged 20 to 24 will shrink to 17.1 million by 1995, that is not true for those aged 16 to 19. That segment should be larger in 1995 than it was in 1985 or will be in 1990.

David E. Sumner
Cincinnati

Letters About A Letter

I am mad. I just found out I wasted a lot of time working when I really didn't need to. According to Donald R. Johnson's reaction to "Where Are The Teenagers?" ["Letters," October], I could have gotten everything I wanted from my parents, including a car, clothes and even date money. Well, it's too late for me to cash in, since I'm 24 now. However, I will be sure to tell my younger brothers and sisters about this so they can quit their jobs as soon as possible.

Thomas L. Mick
Downs, Kans.

As an upper-middle-class California teen, I can tell you that Johnson's generalization simply is not true. I and many of my peers both want and need work. I am paying $60 a month to support my participation in a dance company, as well as paying for expenses such as dates and clothes. My parents do not intend to buy me a car; their money is going toward educating me and my siblings.

Maybe the teen work force is short in other areas of the country. It certainly isn't where I live. Because I am a senior in high school and my hours are limited, I can't find a job. Perhaps Johnson should dig a little deeper to find reasons for teen employment shortages rather than spouting reactionary comments.

Gwendolyn Brookes
Berkeley, Calif.

Life Is Full Of Choices

Your article, "The High Court: What It's Up To" [September], reports one of the silliest statements I have ever read. A coalition that includes Betty Friedan says that striking a California law would "force female employees to choose between their jobs and the right to procreate."

I too am faced with a painful choice every working day. I must choose be-

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COMMENTARY

Letters

tween my job and my right to sit on the beach or sail my yacht.
Edwin Levi
Englewood, N.J.

Unhealthy Competition?

Your article on health care services, "Franchising" [August], ignores the bitter controversy surrounding the commercialization of health care.

While the medical franchisors are busy waving the capitalist flag of laissez-faire, most others in the industry are greatly concerned about what new competitive pressures are doing to the quality of health care.

Health care services are not just another commodity that can be sold most efficiently in enormous facilities at cutrate prices.
Elise D. Ung
Fullerton, Calif.

The Squeeze Is Not Over

This letter is in reference to "No Relief From The Liability Crisis" [October]. Liability insurance is driving this country's small businesses into bankruptcy. I totally agree with the article that the liability crisis is far from over. As premiums continue to escalate in both commercial and medical liability insurance, it is no surprise that many of this nation's businesses cannot keep up with foreign competition. This, in turn, creates a greater imbalance in the international trade war.
Timothy J. Niehaus
Cincinnati

Why The Y?

Regarding "Help For Potential Exporters" [October]: It's nice to be in print—even better when one's name is spelled correctly. You put the "y" in the wrong place.
Carla Sydney Stone
President
Business and Policy Associates, Inc.
Greenville, Del.

An Overstatement

Thank you for publishing the article about PGS, Inc., "Mail Order Medicine" [September]. It was exciting to see *Nation's Business* capture the successes of PGS in such a dynamic article.

We'd like to inform you of a misprint. The article said "3.5 million federal employees" are included in our mail order pharmacy benefit. The correct number is 350,000.

Thank you for letting us correct this error. I will let you know when PGS enrolls 3.5 million federal employees!
George E. Harris
President
PGS, Inc.
Lewisburg, Pa.

Life Reflects Academics

Your article, "It's Never Too Late" [September], was immensely enjoyable. You raised some excellent and salient points about midcareer change and entrepreneurship. The article reinforced my own observations from my research, counseling, consulting and teaching experiences.
J. Donald Weinrauch
Professor
Tennessee Technical University
Cookeville, Tenn.

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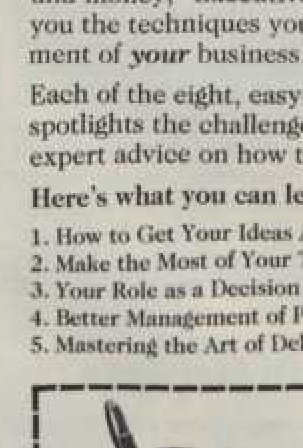

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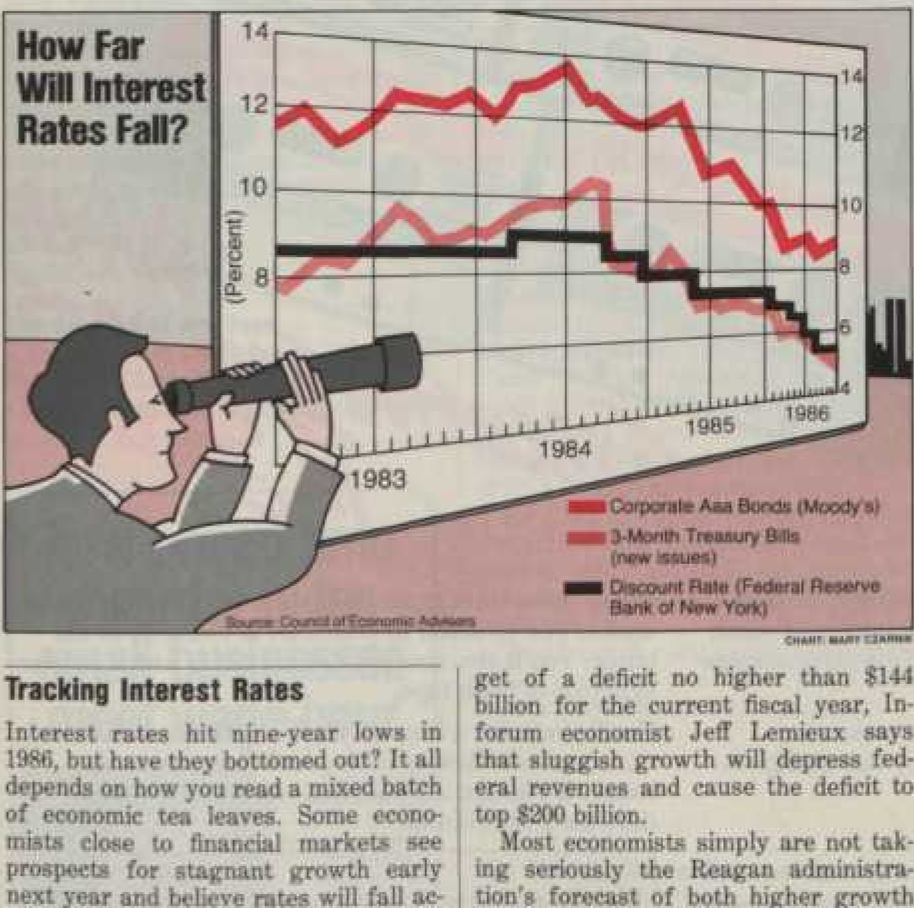

CHART: MARY CZARNE

Tracking Interest Rates

Interest rates hit nine-year lows in 1986, but have they bottomed out? It all depends on how you read a mixed batch of economic tea leaves. Some economists close to financial markets see prospects for stagnant growth early next year and believe rates will fall accordingly.

Others, who see signs that the economy will muddle along its current slow-growth path of 2 to 3 percent, maintain that interest rates have bottomed out and will creep upward in the months ahead. The latter is the consensus view of 45 financial analysts interviewed monthly by "Blue Chip Financial Forecasts," a Sedona, Ariz., newsletter.

A sharp rise in interest rates might be expected if there were high growth. But what about under the slow-growth scenario? It is a possibility. Inforum, an economic consulting group associated with the University of Maryland, sees upward pressure on interest rates because government will need funds to finance an untamed federal deficit. Despite the Gramm-Rudman-Hollings target of a deficit no higher than $144 billion for the current fiscal year, Inforum economist Jeff Lemieux says that sluggish growth will depress federal revenues and cause the deficit to top $200 billion.

Most economists simply are not taking seriously the Reagan administration's forecast of both higher growth and continued low interest rates. The administration projects 4 percent growth in the gross national product in 1987 and says interest rates on 90-day Treasury bills will average 6 percent, the same as in 1986.

John D. Paulus, chief economist for Morgan Stanley & Company, the New York investment banking house, forecasts barely perceptible first-quarter growth—only .3 percent—and a yearly average of 1.8 percent, below the disappointing 2.7 percent that Blue Chip says this year will show. Paulus makes a strong case for declining interest rates:

- The federal budget deficit will shrink from $220 billion in fiscal 1986 to about $180 billion in 1987, reducing the government's need to soak up private capital to finance the national debt.
- Tax reform will increase private savings by eliminating the deduction for sales taxes on January 1 and phasing out the deduction for interest paid on consumer credit over four years. Reform also will reduce corporate borrowing by repealing the investment tax credit—retroactive to last January 1—and stretching out depreciation schedules. Higher private savings and lower business borrowing will ease pressure on interest rates.
- Federal Reserve monetary policy will continue to focus on stimulating the economy rather than restraining it.

"I see 90-day Treasury bill rates at 4.5 percent in six months [down from 5.31 in late October] and 30-year government bond rates of 6.5 percent [down from 7.83]," says Paulus.

Gary Schlossberg, senior economist for Wells Fargo Bank in San Francisco, says lower rates will be spurred by a three-quarters of a point drop early next year in the Federal Reserve's discount rate, currently 5.5 percent. The discount rate is what the Fed charges on loans to member banks.

But a Conference Board survey of senior financial officers from 29 major corporations anticipates no such drop. The survey forecasts economic growth next year of 2.7 percent.

"To have lower rates, we would need a little more weakening in the economy," says Vincent Massaro, who directed the survey for the New York business research organization. "What they're saying is that the economy will continue at the pace we've seen."

Good News For Home Buyers

Resale homes were more affordable in August than at any time since July, 1978, according to the latest update of the National Association of Realtors' Affordability Index. The median price of existing single-family homes in August was $80,000, a $300 drop from the month before.

An upward drift in interest rates caused prices to slide in August for new homes as well as resale homes. For new single-family homes, the median price fell $3,300 from the month before to $91,400—still 9.7 percent more than the $83,300 median a year earlier.

U.S. Wages Slip To Third Place

The declining value of the dollar has made U.S. workers the third highest paid in the world, down from the No. 1 spot in 1985, reports Business International Corporation. The New York-based business consulting firm surveyed hourly wages, including employee benefits, in 19 developed countries.

"This is good news for American workers," says Julia Crawford, who conducted the sixth annual survey.

The dollar's value relative to a number of major currencies has dropped 36 percent in the last 20 months. The resulting lower relative wage rate for American workers should provide a competitive boost for U.S. products in world markets, opening more job opportunities.

Average hourly compensation for U.S. workers rose only slightly this year, to $13.29 from $12.97 in 1985. That small increase put American labor costs behind West Germany (second place, at $13.85) and Switzerland (first place, at $14.01).

Swiss workers last year were in fifth position. Switzerland's business has been hindered by the strength of its currency and substantial wage raises caused by a tight labor market.

The United Kingdom (14th place) benefited by rapid rises of wages in Ireland and Spain (15th and 16th place, respectively). Both nations have historically presented stiff competition to Britain because of lower wage scales, but increases of about $1.50 in each have narrowed the gap. Also boosting Britain's competitiveness has been a sharp drop in the pound in relation to other European currencies.

Average Hourly Wages
(Including Benefits—in U.S. dollars)

	1985	1986
Switzerland	$9.45	$14.01
Germany	9.82	13.85
United States	12.97	13.29
Norway	10.48	13.10
Belgium	9.22	12.73
Sweden	9.62	12.53
Netherlands	8.92	12.32
Denmark	8.20	11.12
Italy	7.73	10.82
France	7.74	10.49
Finland	8.04	10.46
Austria	7.24	10.23
Japan	6.45	7.76
United Kingdom	6.27	7.67
Ireland	5.82	7.39
Spain	4.85	6.47
Greece	3.53	4.04
Portugal	1.51	1.94
Korea	1.41	1.53

Source: Business International Corporation

CHART: MARY CZARNIK

Relative to Pacific Rim nations, U.S. wages remain high, more than double the pay level in Japan. But Japanese labor costs, at $7.76 an hour, are rising along with the value of the yen. As a result, businesses there—as well as in the United States and Europe—are turning to low-cost Asian nations such as Korea, where workers earn $1.53 an hour.

—Roger Thompson

Small Business Report

Pension Pitfall

A new twist to a 12-year-old pension law could make business owners and corporate officials personally liable for shortfalls in pension funds. In the past, the law has protected owners and officers from pension liability provided the business did not engage in fraud. But that appears to be changing, warn Timothy B. McBride and John R. Woodrum, partners in the Washington law firm of Smith, Heenan & Althen.

"It's a little like a time bomb," says Woodrum.

The problem typically arises when an owner wants to sell out or declare bankruptcy and the company pension plan lacks sufficient funds to meet its obligations to employees.

Under the Employee Retirement Income Security Act of 1974, known as ERISA, there is no question that if you own two incorporated companies, assets of the healthy one would be fair game to cover the pension liability of the other, explains McBride. But what if you also own an unincorporated enterprise in which you take no active part, such as real estate or equipment leasing? For tax purposes, many business people own land, buildings or equipment that they lease to their companies. Are the assets in these arrangements and the personal assets of owners or partners fair game for pension trustees?

Maybe, say McBride and Woodrum. Pension trustees have filed at least four federal court cases in recent years seeking to gain access to assets in business owners' unincorporated enterprises. Two were settled out of court on grounds unrelated to the pension issue. And two produced rulings adverse to business owners.

The danger of personal liability arises when the unincorporated enterprise is ordered to pay up but does not have enough assets to cover the pension liability. Without the legal shield provided by incorporation, a person's home, stock or other assets could be taken, says McBride.

His advice to business owners: Think twice about intertwining the workings of incorporated and unincorporated business activities. The farther apart they are, the more difficult it should be for pension trustees to tap the unincorporated enterprise's resources. "There is no guarantee here," cautions McBride. "The case law is just getting going, and it's unfavorable."

Attracting Directors

The soaring cost of liability insurance is making it more difficult for smaller companies to attract outside directors, reports Growth Resources, Inc. While the number of small companies with outside directors continues to grow yearly, there are fewer firms covering their directors with insurance.

Liability insurance for directors of small and midsize companies went up 242 percent this year to an average of almost $2,700, compared with $1,100 in 1985, according to a nationwide survey of over 41,000 smaller companies conducted by the Peabody, Mass., consulting firm.

"The problem of rising director liability insurance costs has prompted some companies to drop the coverage," says Growth Resources President Richard J. Bronstein. The survey showed only 31 percent of smaller companies' boards providing director liability insurance, down from 41 percent the year before.

This trend "could put a crimp on the progress that has been made by so many small companies in attracting outside directors," says Bronstein. Among the companies surveyed, 43 percent of the directors now come from outside the firms. This is a 6 percent increase over 1984 figures.

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Small Business Report

Saving On Liability Cases

Thinking about taking a product liability case against you to court? Think again. Out-of-court settlements before trial often are a better deal for everyone involved, says Jury Verdict Research, Inc., an impartial research organization that collects and analyzes jury verdicts nationwide.

A survey of awards in product liability cases made by the Solon, Ohio, firm concludes that courtroom battles usually drive up legal costs for both sides and diminish returns for the plaintiff.

The plaintiff loses because his lawyer's contingency fee typically increases to 40 percent from 33 percent when the case goes to trial. But the plaintiff's lawyer still makes less money per hour, because of time spent preparing a case for court. The insurance company loses money, too, because its legal defense also costs dearly.

Many lawyers prefer court trials to determine settlement amounts because they do not know a better way to put a value on the plaintiff's injury, says Philip J. Hermann, chairman of Jury Verdict Research. He says a better way exists: actuarial verdict tables drawn from a product liability database of court cases.

"Attorneys and insurance companies using this information more often arrive at early, reasonable settlements, because they can demonstrate the soundness of their demands and offers," says Hermann. He predicts that more attorneys and insurance companies will rely on actuarial tables as they "realize that litigation adversely affects them financially."

—Roger Thompson

Washington Roundup

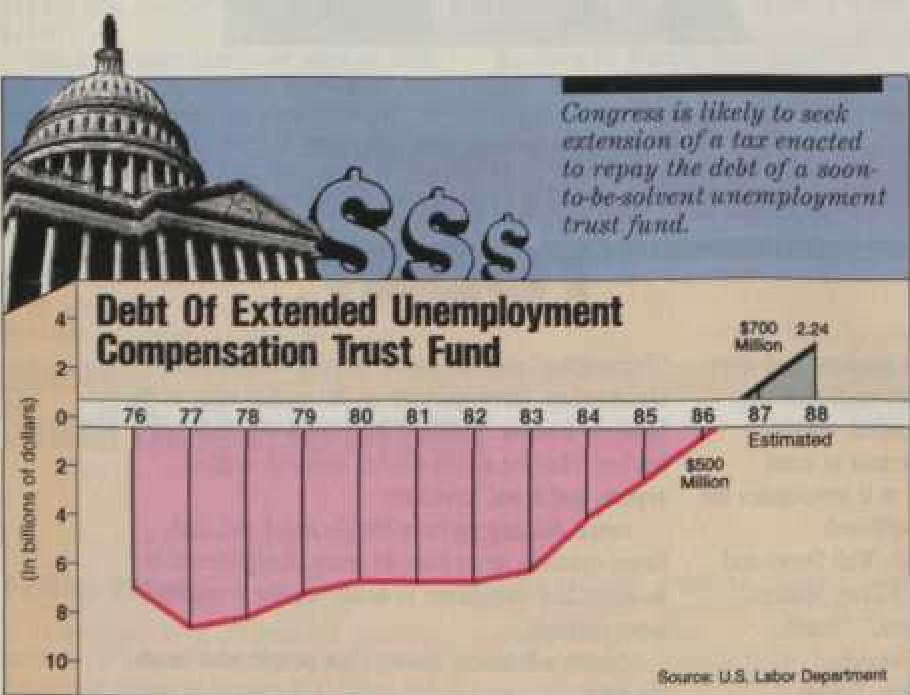

CHART: CONNIE DILLMAN

Sitting Ducks On Jobless Pay?

Business is such an easy target in Congress that its "victories have to be defended again and again," a business lobbyist says. The lament was prompted by a drive—that won't go away—to extend an increase in the federal unemployment compensation tax rate.

Representatives of business were congratulating themselves on a successful effort to block a proposal to add two years to the life of a .2 percent increase in the jobs tax when congressional sources warned that the celebration could be a short one.

The House Ways and Means Committee proposed the extension last summer as a way of amassing a surplus in the unemployment compensation trust fund at the rate of $1.3 billion a year.

Senior members of congressional committee staffs say the proposal is sure to resurface immediately in the new Congress.

The extension in the tax rate on the first $7,000 of employees' earnings is "an obvious source of revenue, regardless of equity," says a Senate Finance Committee staff member.

"I also anticipate that this issue will come up again as soon as Congress reconvenes," says Robert Martin, a lobbyist for the U.S. Chamber of Commerce and leader of a business coalition that opposed the extension.

The Ways and Means proposal, deleted from a budget reconciliation bill just before its enactment on the 99th Congress' last day in session, would cost employers $28 per employee in 1988-89.

Congress enacted the "emergency" rate increase in October, 1977, to pay off the debt—which was $9 billion at its peak—of the Extended Unemployment Compensation Trust Fund. The increase is to expire at the beginning of the calendar year following retirement of the debt, which the Labor Department estimates will occur next April.

If the tax increase is allowed to expire on Dec. 31, 1987, the unemployment compensation tax rate—which varies from state to state depending on unemployment levels—will revert to an average of 5.9 percent, or $427 per employee.

"Risk Pool" Risk

Also deleted from the reconciliation bill just before enactment was a House-passed proposal that would have directed states to establish health insurance "risk pools" subsidized by business people. This proposal is also likely to resurface in the 100th Congress.

Ten states have established such pools, which allow people with serious medical conditions to buy insurance coverage they otherwise could not obtain.

Financial shortfalls in the pools, which are common because participants are medically at high risk, are subsidized by assessments on insurance companies doing business in the states that have the pools.

The House proposal would have subsidized shortfalls by assessments on employers of 20 or more people. Each time there was a shortfall, employers who refused to participate would have been assessed a penalty of 5 percent of gross payroll.

—Albert G. Holzinger

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COVER STORY

Child Care: Your Baby?

By Carol Dilks and Nancy L. Croft

Managers of three small companies in the Prospect Hill Executive Office Park in Waltham, Mass., found they had a mutual problem. Each faced the loss of key employees unable to find adequate day care for their preschool children.

The managers, representing two computer software firms and a venture capital company, took their concerns to the developer of the complex, Arthur Nelson. He, in turn, brought the problem home to his wife, Eleanor, who had more than 20 years' experience in teaching and other aspects of education.

Eleanor Nelson agreed to set up a child care program in quarters that Arthur would make available in the office park. The effort, she recalls, made her aware that "I had something marketable." Result: Her own business, Workplace Connection, a consulting firm that helps small businesses develop day care programs that their limited budgets can accommodate.

Frequently, she gets businesses together to form child care consortia, which sponsor programs that would be beyond the resources of any single member.

The Prospect Hill program she started was her first consortium; it now is made up of nine small and medium-sized businesses.

One is Sasaki Associates, Inc., which specializes in landscape architecture and design. Says Sasaki's human resources manager, Richard Orton: "We looked at establishing our own on-site center, but the problems associated with getting space and the expenses of licensing and liability insurance were insurmountable. When we had the opportunity to join the consortium, we jumped at it."

What happened at the Prospect Hill office park offers a one-stop insight into why child care is becoming a major

Carol Dilks is a Philadelphia-based free-lance writer. Nancy L. Croft is a Nation's Business *assistant editor.*

What started as a project for her developer husband turned out to be a business for Eleanor Nelson (left). Her consulting firm, Workplace Connection, in Waltham, Mass., helps parents like Heather Thompson-Ryan with conflicts of work and family.

Sooner or later, your business is likely to face the problem of valued employees needing someone to care for their children during work hours. What do you do?

concern for businesses of all sizes. A sharp increase in the number of present or future working mothers is making smaller companies increasingly aware of the high priority those workers attach to availability of child care.

Though the number of companies actively involved in some form of child care arrangements is not yet large—about 3,000, and hundreds more are exploring options—there is a trend here that will grow in significance in the years just ahead.

The Employee Benefits Research Institute, a Washington-based public policy research organization, says: "As a result of the rising population of children under 6, the changing composition of the family and the increasing participation in the work force of women with children, child care is emerging as a valuable benefit offered by a relatively small, but growing, number of employers." Child care, the institute notes, has been called "the employee benefit of the 1990s."

Catalyst, a nonprofit, employer-supported organization that deals with workplace issues as they affect women and families, puts it this way: "Work force demographics are inescapable—the typical American employee is fast becoming the working parent." Catalyst points out that "a 'traditional' family, in which father is the breadwinner and mother the homemaker" is becoming almost a rarity.

The U.S. Labor Department's Women's Bureau reports 13 million children under age 13 are in families where both parents work full time. Some 1 million of these children go to commercial day care facilities, and another 6.8 million are cared for through arrangements parents make with people who provide day care in their homes.

More than 50 percent of mothers with young children now work outside the home, and that figure could reach 75 percent as early as 1990—when, the Census Bureau projects, there will be 23.3 million children under age 6 in this country. Another forecast for 1990: Nearly two thirds of all new employees will be women, and most of them will become mothers at some point of their working careers.

Kerney Patrick takes a break from his job as applications programer at Dominion Bankshares Corporation headquarters, in Roanoke, Va., to visit his son, Jason, at the company's day care center.

PHOTO: T. MICHAEL KEZA

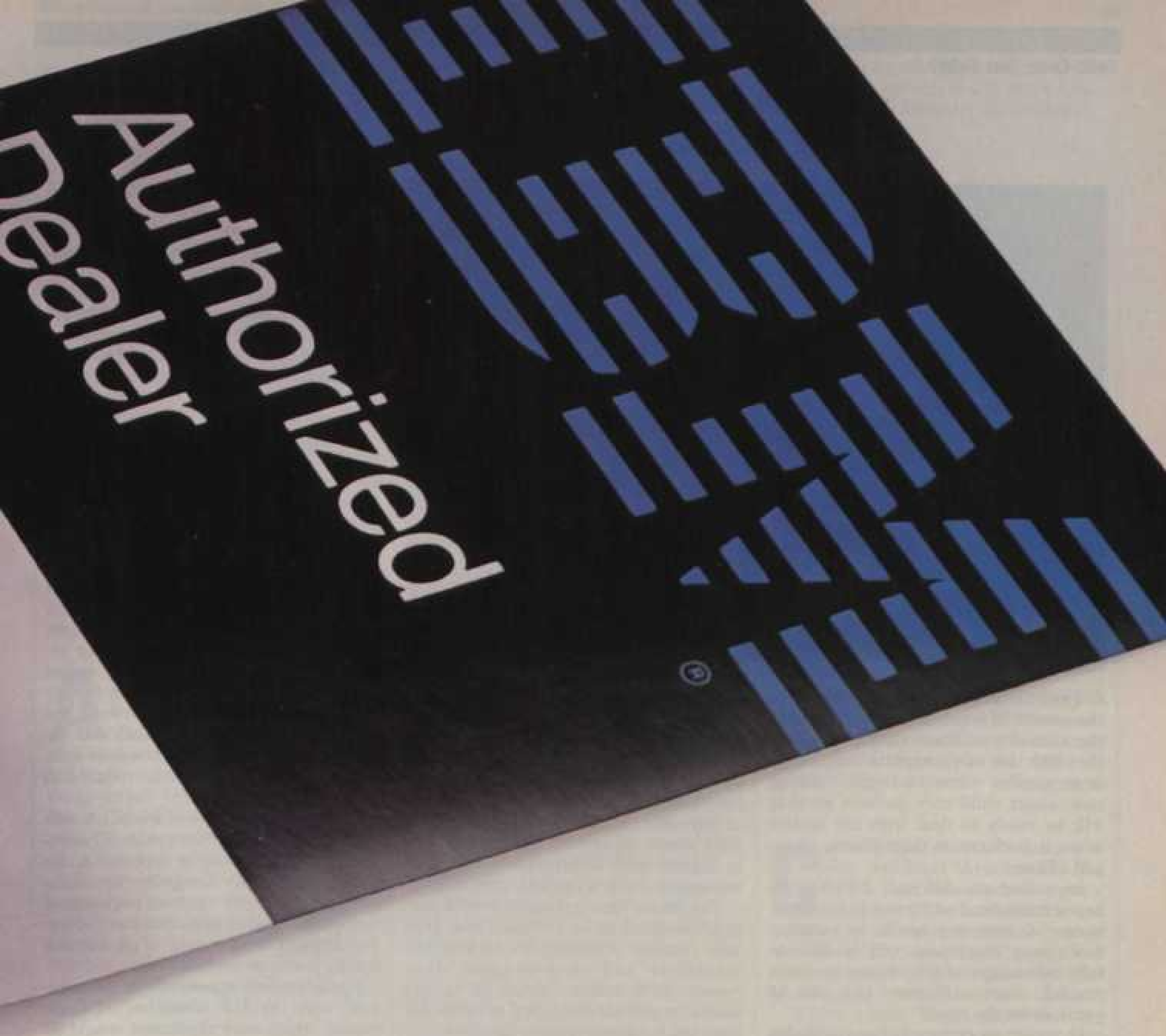
A significant aspect of child care from the business standpoint is the opportunity it offers to provide services that companies need in order to respond to worker concerns.

Perry Mendel, of Montgomery, Ala., is an outstanding example of entrepreneurs who have seized this opportunity. Even back in 1969, with a growing number of women entering the work force, the lack of day care facilities was a matter of concern. Mendel, then a commercial real estate salesman, did some research on child care and opened two day care centers in his hometown. That was the beginning of Kinder-Care Learning Centers, Inc., which now has 1,050 branches in 40 states. Its revenues for its fiscal year ending in August were $230 million.

The problem of what to do about children with minor illnesses that kept them out of regular centers but did not require parental care at home was another entrepreneurial challenge. Ruth Matsom and Birdie Johnson, of Minneapolis, saw a market opportunity in that situation while working as administrators of a standard day care center. They launched Chicken Soup, Inc., to provide day care for sick children.

Matsom, who is a nurse, and Johnson, an occupational therapist, have received requests from employers in Canada and Britain, as well as in the United States, for information on how to start such programs. They have now set up an additional business—seminars on setting up a sick-child program.

The impact of the child care issue will



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COVER STORY

Child Care: Your Baby?

Janet Muhleman, president of an Ann Arbor, Mich., ad agency, decided to build an on-site day care center when she became pregnant with her son John, on her lap in the picture.

PHOTO: LYNN JOHNSON—BLACK STAR

fall most heavily on smaller businesses, the source of most new jobs created in the economy in these closing years of the 20th century, experts say. They urge smaller firms to begin thinking now about child care policies so they will be ready to deal with the matter when it surfaces in their plants, shops and offices.

Says Barbara Askinas, a Princeton-based consultant on human resource issues: "A company needs to examine how many employees will be able to take advantage of [child care arrangements]... not only now, but also 10 years down the road."

(A report on various options available to employers wanting to help workers with child care appears on page 24.)

Who has responsibility for making day care arrangements for children of working parents? Most experts agree the answer is the private sector, with the parents bearing the principal responsibility and employers providing aid on a voluntary basis where necessary and feasible.

There can also be other parties to the discussion. Stephen Delfin, vice president and general manager of corporate relations for United Way, which spent $38 million last year helping communities and school systems set up day care and after-school programs, puts it this way: "We want to alert local governments, business, unions, volunteer groups and child care providers that day care is something they all have to tackle together. The needs vary so much from one city to another that the only way child care can be dealt with is around the community table."

Some organizations believe the answer lies in a vastly expanded role for the federal government. But, in an era of increasingly tight budgets and wariness about expanding the federal role in dealing with social issues, that does not appear to be a realistic possibility.

The federal government's role is likely to continue to be a limited one. It is now focused primarily on various tax incentives and on a program that grants $800 million annually to the states to provide child care services for low- and moderate-income families.

One of the principal tax incentives is the dependent care tax credit available to parents; the tax money the credit saves them represents nearly 30 percent of the federal government's total child care costs. In addition, a 1981 amendment to the tax law allows employers to deduct costs of child care arrangements used to attract and retain employees. Costs incurred in building and equipping a day care center can be depreciated through the accelerated cost recovery system.

Business is deeply apprehensive about a direct federal role—not just because business people are antipathetic to increased government spending, but also because the possibility of government involvement in what have traditionally been relationships between employer and employee—and no one else—raises the specter of unjustified interference.

A proposal advanced in Congress this year would have required employers of 15 or more workers to give as much as 18 weeks' leave in connection with the birth, adoption or illness of a child. Though the leave would have been unpaid, the legislation called for establishing a commission to devise a plan for putting the leave on a paid basis.

Small business, anticipating the disruption and expense that parental leave legislation would have caused, was so opposed to the idea that its defeat became the No. 2 priority of the White House Conference on Small Business—after relief from the liability insurance crisis.

Of particular concern to smaller firms were the costs of replacing workers on parental leave and the difficulties of meeting a requirement to guarantee the workers the same or equal jobs when they returned. The proposal originally called for exempting only firms with five or fewer workers. Small firms were not placated when the exemption was increased to 15, because of the ease with which the number could be reduced in the future.

The sweeping terms of the bill, which died with the 99th Congress' adjournment in October but is expected to be revived in the new Congress convening next month, were seen as evidence of the heavy-handed approach the federal government would take if it became deeply involved in child care.

Spearheading opposition to the measure was the U.S. Chamber of Commerce, which said enactment would do serious harm to the longstanding system of employee benefits developed without government coercion.

In approaching the question of helping employees with child care, experts say, employers should realize that the benefits do not flow in just one direction. Such assistance can improve the bottom line, says J. Bassett Place, Jr., president of Developmental Child Care, Inc., of Westport, Conn., which advises companies on ways to establish child care arrangements.

"Working parents spend an average of 10 hours on the job making arrangements every time a new situation is needed," he says. "And it's not uncommon for parents to change child care providers two or three times a year."

Child Care Systems, Inc., a Lansdale, Pa., consulting firm, reports research it has done shows that working parents miss an average of eight days a year to deal with child care problems.

Warner Dalhouse, president and chief executive officer of Dominion Bankshares Corporation, says a child care center the bank recently opened for its 900-employee headquarters in Roanoke, Va., "is not an altruistic venture."

Dalhouse explains: "We do everything with the objective of profit. Seventy percent of our work force is made up of women. A major portion of those women are of childbearing age. We're going to ease those minds. We're going to help. And we're going to end up making more money."

There is good news for the bottom line, he explains, "in reduced absenteeism, in reduced tardiness, in reduced turnover, in improved productivity, in improved quality of our recruiting options, in improved morale, in enhanced corporate image."

A similar view is expressed by Janet Muhleman, president of Group 243, Inc., an Ann Arbor, Mich., advertising agency. She recalls that the question of child care hit home at her firm when a top ad designer left because she had been unable to find adequate facilities for her child. The issue gained a higher priority when several others in the firm—including the boss, Muhleman herself—became pregnant.

The company set up an on-site facility for use by any of the 150 employees needing child care arrangements. The worker and the company share the $162 weekly fee. David Jansen, the firm's human resources director, says the impact on morale is apparent: "When you're having a bad day, you just walk over to the day care center. After spending 10 minutes playing with your kid, things at work don't look as bad. Even employees who don't have children in the center walk over there to get perked up."

Muhleman says the four-year-old center is expensive, but the investment pays off in increased morale and productivity. "The cost simply comes off the bottom line, and I really don't think about it," she says.

Broader evidence of the benefits to employers comes from a report on a three-year study, funded by the Department of Health and Human Services in 1981, of child care programs at 415 hospitals and midsized businesses across the country.

The National Employer Supported Child Care Project, as the study was called, shows that 90 percent of the hos-

Occasionally, 3-year-old Andy Thielk briefly visits his mom, senior designer Janine Thielk, in her office at Group 243, Janet Muhleman's ad agency. The company's on-site day care center, where Andy spends much more time, perks up even nonparents among employees.

PHOTO: LYNN JOHNSON—BLACK STAR

pitals and businesses surveyed report employee morale improved as a result of a child care program, 85 percent cite an increased ability to recruit and retain workers, 65 percent cite lower turnover, and 53 percent report a lowering of absenteeism.

Employees also were surveyed. Thirty-eight percent say the availability of child care arrangements was a factor in their going to work for the company to which they applied, and 69 percent say the arrangements were a factor in their staying in their jobs.

Against that background, Daniel C. Lazorchick of Bethesda, Md., a consultant on employer-supported child care, asks the obvious question: "If employer child care initiatives have proved to be such winners, why haven't more firms joined the parade?" He provides his own answer:

"Historically, businessmen have thought of child care primarily in terms of on-site centers, costly to build, expensive and risky to operate. That path was something to be avoided if at all possible. The companion piece for others was to think of child care as the province of church groups and other community-based organizations reaching out to aid the disadvantaged.... The dramatic changes in the composition of the work force as well as the demographic projections for the period immediately ahead are stubborn facts of life in 1986. Women with preschool children are the fastest-growing segment of the labor force.... The vast majority of these women work out of necessity, not choice."

One thing for employers to keep in mind is that on-site care is not necessarily the first choice of all workers; many might prefer alternatives that are within the ability of smaller companies to provide.

Carole Rogin, executive director of the National Association for Child Care Management, says: "A little bit of assistance can make a big difference to parent-employees. There are some key things about the way parents choose child care that are uniquely in small business' favor."

Rogin, whose Washington-based association represents 200 companies providing child care services, explains: "Parents like freedom of choice, and our research shows that many prefer child care closer to home than to the workplace." Parents, she says, might find it a harrowing experience to transport a small child twice a day in rush-hour traffic. Apart from commuting problems, she adds, the parents might prefer a neighborhood day care facility on the theory that it keeps the child in a familiar environment.

Those attitudes can make the concept of child care less threatening to smaller business owners, who might otherwise see only a stark choice between costly, on-site centers or no arrangements of any kind. The Work and Family Information Center of the Conference Board, a business-research organization, says: "As an alternative to starting their own child care centers, some employers will concentrate on helping their employees pay for child care al-

COVER STORY

Child Care: Your Baby?

Child care, notes the Employee Benefits Research Institute, is offered now as a benefit by a relatively small, but growing, number of employers and, because of demographic trends in this country, has been called "the employee benefit of the 1990s."

PHOTOS: LYNN JOHNSON—BLACK STAR

ready provided in the community. In this way, they can allow employees to choose their own arrangements and, as a result, serve a greater number of working parents with a variety of child care needs."

For most employers, the biggest hurdle to deciding whether they should embark on some form of child care assistance is the usual one—getting started. The most direct route, experts say, is a determination of employee needs. Margaret Rappaport, a partner in a Philadelphia management consulting firm with a child care services division, recommends: "Ask how many would be involved in some kind of child care arrangement, the ages of their children and their current arrangements for having those children taken care of." Employers, Rappaport says, should also seek workers' opinions on the various options and how much they are willing to contribute to the costs of an employer-assisted child care program.

As a growing number of employers explore the possibilities of providing or helping with work-hours care of employees' children, the number of entrepreneurs launching or expanding businesses to meet the demand also grows rapidly.

Bassett Place, who is 32, founded Developmental Child Care, Inc., after working as assistant director at a New York City nursery school and later as community development/philanthropic officer for Chase Manhattan Bank. One of his assignments in the latter job was to research trends in employer-supported child care. Unable to find a consulting firm that met the bank's requirements, he decided to found his own.

After two years, he reports, the firm has five full-time employees and a con-

sulting committee of 45 people with expertise in finance, marketing, tax law, real estate, medical care, child psychology and early-childhood education.

By the time Eleanor Nelson finished with her voluntary project of setting up child care facilities in the office park her husband had developed in Waltham, Mass., she had not only established a day care center but an after-school program, a library of resource material, and an information and referral service.

With that experience under her belt and with three newly hired assistants, she went into business helping Boston-area companies develop their own programs. Her Workplace Connection also conducts seminars on parenting and child care training.

Businesses specializing in care of children with minor illnesses were a natural sequel to the growth of employee child care. Matsom's and Johnson's Chicken Soup, Inc., in Minneapolis charges $30 a day or $20 a half-day to care for sick children. The youngsters are cared for by a full-time nurse and teacher, with additional staff on call in case the number of children present increases on any given day.

A similar company, Rainbow Retreat, opened last spring in Newport Beach, Calif. Parents can register children for a $25 fee in advance of need.

Patricia Ward of Catalyst, the New York organization dealing with workplace issues affecting families, says one effective approach is for an employer to invite representatives of a community group to come in, talk about ways to balance work and family, and gather information on the workers' needs.

"An employer is not only providing a service to employees, but is also listening very closely to what questions and comments surface," Ward points out. This gives employers an idea of what types of child care their employees are interested in.

The importance of determining long-term needs was illustrated by the experience of a Baltimore labor union that opened six child care centers. Ten years later, all were closed. The work force in the plants served had a relatively low turnover rate and had simply aged itself out of a need for child care facilities.

As overall demographic studies indicate, however, the general trend is in the opposite direction, and the prospect is for increased employer-employee interest in meeting child care needs.

The trend is illustrated by developments at the Bloomfield, Conn., headquarters of Cigna, a leading insurance company.

Cigna's child care center, which is open to the public as well as to employees, has a waiting list of requests for places for 170 children. About a third of the children have not yet been born.

"Women call us as soon as the doctor says 'yes,'" says Alison Kenworthy, director of employee services. "There are even three women on the list who aren't pregnant yet." NB

To order reprints of this article, see page 69.

COVER STORY

Some Tips On Tots For Small Firms

For employers, planning a child care program can mean a big investment in time, effort and money. It requires careful study of employees' needs, of child care facilities available in the community and of the company's resources and goals. But, says Penny O'Brien in her book, *How to Select the Best Child Care Option for Your Employees* (Almar Press, Binghamton, N.Y.), "employer-supported child care is cost-effective when measured by productivity, reduction of absenteeism, improved employee morale and stability in the work force." Providing child care aid also enhances the company's image.

In her book, O'Brien lists a number of options for employers to consider when weighing employees' needs against the company's budget.

Information and referral services. "Parents frequently have difficulty locating child care facilities that are accessible and reasonably priced," says O'Brien. Employers can help their employees find outside day care programs by establishing an information and referral service. An I&R maintains information about available child care facilities—such as the hours, fees and type of program, as well as which facilities have openings.

Referral can be a fairly inexpensive type of support, says O'Brien. A staff member can be assigned to gather information about community day care programs, or the employer can contract with a local child development agency to provide this service.

Lectures and seminars—the information aspect of the I&R—are also inexpensive for employers. Child care experts can hold lunchtime or after-hours sessions to advise parent employees on how to balance work and family.

Voucher or vendor programs. In a voucher program, employees are reimbursed directly for all or a percentage of their child care costs. Employers avoid any liability claims in this situation because employees are free to choose the type of service that best suits their family's needs. The employer is not involved in selecting or evaluating the quality of the child care.

In a vendor program, the employer reserves and pays for slots that are held open for employees' children in a day care center or a private home. Many commercial centers offer discounts to employees whose employers hold slots.

Day care employee Juanita Pingry pushes a full six-seater stroller to a park near Dominion Bankshares Corporation headquarters.

PHOTO: T. MICHAEL KEZA

Flexible work schedules. Employers may help reduce employees' need for outside child care arrangements by offering flexible work schedules—also known as flextime or flexitime. This allows parents to adjust their working hours so they have more time to spend with their children. The workweek can be changed, allowing the employee to work four 10-hour days or six days with shorter hours.

Some companies require employees to work an eight-hour day and be at the office during specific core hours, such as 10 a.m. to 3 p.m., but permit arranging the workday around those hours to suit family schedules. Other employers permit job sharing, in which two or more workers share the responsibilities and hours of one job. And with the mobility of computer terminals, some employers even let certain employees work out of their homes.

On-site child care centers. An advantage of having an on-site day care center, says O'Brien, is the increased time available for parents and children to spend together—during lunch hours and on the commute to and from work.

The employer can operate the center or use the services of child care consultants to do this. The business can also form a subsidiary to develop and run the center. The center can be nonprofit or for-profit. Operating costs may be met by tuition fees from parents, or the employer may pay all or part of them, using them as business expense tax write-offs.

Sometimes the employer merely provides in-kind contributions. The contributions can include utilities, custodial, maintenance and secretarial services, public relations expenses and rent-free space. The company may also assume the center's legal and accounting costs. A day care center's insurance fees may be covered under a company's insurance plan, and meals may be prepared at a company cafeteria.

Consortia. Two or more companies that cannot support an on-site or even near-site center individually can share responsibilities and resources to establish a facility at a central location. This is becoming increasingly popular with small companies in office and industrial parks. Once the center is running, many consortia require employees to be responsible for its operating costs. In some cases, consortia hire consulting firms to manage the centers.

For more information on employer-supported child care, write:

- National Association of Child Care Management, 1800 M Street, N.W., Suite 1030N, Washington, D.C. 20036.
- National Association for the Education of Young Children, Child Care Information Service, 1834 Connecticut Avenue, N.W., Washington, D.C. 20009.
- Resources for Child Care Management, P.O. Box 669, Summit, N.J. 07901.
- Work and Family Information Center, The Conference Board, 845 Third Avenue, New York, N.Y. 10022.
- Catalyst, 250 Park Avenue South, New York, N.Y. 10003.
- Resources for Parents at Work, 722 Westview Street, Philadelphia, Pa. 19119.
- National Association of Hospital Affiliated Child Care Programs, 11 N. Batavia Avenue, #2B, Batavia, Ill. 60510.

MANAGING YOUR BUSINESS

Computerizing With Confidence

part 2

By Karen Berney

From the moment Mark Lansing decided to open a figure skating school, a computer was an integral part of his plan. In addition to giving classes, sharpening skates and soothing the egos of Olympic hopefuls, Lansing would have to manage the books, and he did not want to spend several hours a day poring over a ledger. "I knew in advance that I would have to computerize for easy and streamlined bookkeeping," says the Troy, N.Y., entrepreneur.

So Lansing ran down to the local Radio Shack and, for $2,300, purchased an IBM-compatible computer with extra memory, a printer, and an additional floppy disk drive. Then he bought a slew of computer trade magazines, studied product reviews and wrote to software manufacturers for demonstration disks.

Lansing tested eight different software programs, comparing performance, manuals, ease of use and support, and eventually chose a $70 accounting package from Dac Software, Inc., of Dallas. His total time investment in selecting hardware and software—a little over four months.

It has been more than a year now, and Lansing's computer system has become so intertwined with the operation of Silver Skates—the name of his school—that it "almost knows more about my business than I do—from how much tax I owe the state to whether revenues are behind or ahead of projections." Best of all, Lansing says, "Bookkeeping chores demand only 15 minutes at the terminal each day."

Lansing's relative ease in latching on to the right personal computer system for his small business may seem like exceptionally good luck, but making a match for your own business should be just as easy on your patience and pocketbook. You need to know the basics and follow up with homework, but the effort should pay off. As an informed customer with a firm grasp of your needs and objectives, you will have the upper hand in dealing with the vendor you select. And, you will cut consulting costs if you decide to hire a specialist for advice on what to buy.

The first advice any computer expert will give is to make a preliminary software decision before you shop for hard-

For small businesses that prepare for the search, finding the right computer system can be as smooth and fast as skating on ice.

ILLUSTRATIONS: CAMERON GERLACH

ware (Lansing's successful experience while doing the reverse is an exception). Not all software is compatible with all computers.

Personal computers today fall into two camps—those that are IBM-compatible and run the more than 10,000 software programs written to IBM standards and those, like Apple's Macintosh, that are based on a unique machine architecture and only run software tailored for that architecture. Most best-selling programs now come in versions for both IBM-compatible and noncompatible PCs. The more general your needs, the less danger there is of not finding a software mate for any type of PC hardware.

The vast majority of small businesses can use off-the-shelf programs for accounting, word processing or financial analysis and achieve very good results, says Stanley Yocum, president of Seamark Consulting Group, Inc., Long Beach, Calif. In fact, Yocum says he spends a great deal of his time convincing first-time software buyers of the merits of "making a few compromises" just so they can use a generic package.

"I tell people to shoot for 80 percent satisfaction—a program that solves about 80 percent of their most pressing problems," Yocum reports. While obtaining the last 20 percent of performance may be ideal, it often involves customization—writing software from scratch—at a very high cost to the user.

Besides cost control, there is another advantage to sticking with generic software—it works. When you buy a package with "release 3.0" on the label (which means the program has had two major revisions), "you are walking out the door a happy customer," says Douglas Richard, president of Ital Business Computer Systems Ltd., a Los Angeles consulting firm. In a package marked "release 2.0," you will probably encounter a few bugs. Richard believes a first-release package is better left to more experienced and daring users.

But generic software is not for everyone. If you are in a profession, in retailing or in certain specialized lines of business like restaurant operation or auto parts distribution, you will probably need software tailored to your market niche.

Though there are more than 1,000 products for these vertical markets, you will not dig up more than a few at your neighborhood computer outlet. Most are peddled by value-added-resellers, which include a few nationally known firms but consist primarily of small independent dealers.

The line between VARs and other retailers is becoming increasingly blurred, but the hallmark of the former is delivery of a turnkey solution. VARs typically take someone else's software and hardware, add some customized programing and bundle it with installation, training and support.

A VAR "knows your business inside out, offers a single source of contact and provides extensive service and support," says Larry Tuck, managing editor of *Computer Merchandising*, a magazine for VARs. You will pay more for a computer system bought from a VAR, but the extra cost may more than compensate for the time and effort you would have to put into building a complete system piece by piece.

Whether you are in the market for

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Computerizing With Confidence

generic software or a vertical market package, there is a common strategy you can use for pinning down exactly what you need and ensuring that you get it.

You have decided to automate accounting with a generic software product. Your next step is write down everything you expect a program to accomplish for your business. Accounting software is broken into separate modules for accounts payable, accounts receivable, inventory, payroll and general ledger, and you will need to evaluate each function separately. You can also buy and use the modules separately, automating only one function if that is all you need.

In describing accounts receivable, for example, you will want to consider issues ranging from the maximum number of accounts to be handled to dealing with payment irregularities and generating such paper work as quarterly balance sheets, mailing lists and customer statements.

No two accounting packages are the same. One may automatically charge interest on all overdue debts and set different rates depending on period of nonpayment, but another may not. Such a difference could be vital to your business.

With these requirements in hand, you are now in a position to weed out inappropriate candidates. "It is really senseless to walk into a store without knowing exactly what you want to look at," says Jeffrey Sachs, president of the Independent Computer Consultants Association and of Alembic Computer Services, Inc., Mesa, Ariz. Otherwise, he says, you will be at the mercy of salespeople who will show you only what yields the store the highest profit and is currently in stock.

Where do you find out about software in the first place? Donald Hockney, a professor at the Polytechnic Institute of New York and the author of *Personal Computers for the Successful Small Business*, suggests starting with software reviews in such trade publications as *Infoworld*, *Byte*, *Business Software* and *Personal Computing*.

If a software manual reads like Greek, you can expect to gobble up a lot of time and money on telephone counseling sessions with the publisher.

Hockney warns that computer magazines depend on ads from companies whose products they evaluate, so you should not rely on them as the final word.

Alternative resources include software catalogs, such as *Business Software* (Elsevier Science Publishing Company, New York) and the *Whole Earth Software Catalog* (Quantum Press/Doubleday, Garden City, N.Y.). These range in price from $70 to $420, index packages by application and are particularly useful if you are planning to buy more software in the future.

A third contact point, especially for tips on vertical market software, is your industry trade association. Many associations collect data from members on software and can tell you who is buying what. The National Retail Manufacturers Association, for one, maintains a list of several hundred software programs designed just for general merchandisers.

Local computer clubs or users' groups are also good sources of information, and members are usually happy to share their experiences. Hardware manufacturers and retailers can identify clubs in your area. In addition, local newspapers may carry announcements about club meetings.

Much software is copy protected—the floppy disk the software comes on has been altered in such a way that it cannot be copied to another disk and will not run without the original disk in

You would not buy a new car without first taking it out on the road for a spin; computer hardware and software are no different. Plan on test-driving your candidates until you find the model that gives your business the best ride for the money.

the machine. If you lose or destroy the original, you have to order a replacement from the company.

Many of the most popular programs are copy protected, although some companies are dropping the practice because of complaints from users. Companies with copy protected programs will often sell site licenses at a discount for multiple copies of the same program.

You should now be down to a handful of programs to test. There are two routes to take: You can go to a local retailer and ask to test-drive the programs, or you can buy demonstration disks directly from the publisher. A demo disk costs about $20 and will take you, figuratively, on a short ride that provides a feel for how the software operates (if you buy the software, the demo cost is often deducted from the price).

If you plan to do your roadwork in a store, "by all means do not let the salesperson do the demonstration for you," says Sachs. The best demonstration is of the hands-on variety in which you sit at the keyboard, push the buttons and tackle the manual. You should also come equipped with a sample of your data, such as a stack of invoices, so that you can verify the results of your use of the software with those of your manual system.

To get the most mileage out of your test drives, experts suggest that you devise some sort of score sheet or ranking system using the following criteria:

- Performance. How do the software's capabilities stack up against the requirements on your checklist? Is the software flexible enough to accommodate your specialized needs, or is the burden on you to change to fit the system? If the program successfully gives you 80 percent of what you want, you may have a winner. Furthermore, consider the trade-offs between price and performance. Perhaps you could save a few hundred dollars by settling for a little less on your least important requirements. Conversely, spending a few hundred or even a thousand dollars more may be justified if it buys you a system that smoothly handles one or two key aspects of your business.
- Documentation. The instructions that tell you how to use the software should not be loaded down with technical jargon. Good manuals open with a lucid overview of the program in plain English, have plenty of pictures and include sets of lessons.
- Ease of use. It is near-axiomatic in the computer industry that the more powerful and versatile the software, the more difficult it is to master. But if you are planning to use a program frequently, you are apt to learn it thoroughly, and once you do, its relative complexity is likely to be more of a benefit than a drawback. For example, WordStar, the most popular word processing program, is difficult to learn. But users who have learned it say WordStar is a very flexible program.

Still, the trend is toward making software kinder to the user by substituting typed English commands for strings of code. Other aids include pop-up help screens or windows that help you when needed, so that you don't have to pull out the manual each time you need to figure out how to do something.

Pull-down menus, which display commands and their meanings on the computer screen, minimize the number of commands you need to memorize. A menu is a choice of options.

The easiest-to-use software replaces the words of a menu with visual representations of functions—such as a trash can to connote deleting text. These are called icons and are designed primarily for the Apple Macintosh PC. Both pull-down menus and icons take a lot of computer memory and tend to slow down the software's overall performance.

- Error handling. Whether you are a new or seasoned computer user, you are bound to make mistakes. When this happens, the computer will beep or flash an error message that requires action before you can continue. In evaluating software, deliberately make some snafus to see if the correcting message makes sense. For example, Hockney says in his book, if you enter the wrong command to retrieve a file, a good program responds with something like FILE NOT FOUND: ENTER NEW FILE NAME. What you don't want, he says, is a message written in code that can only be deciphered by referring to the manual.
- Vendor support. Good software houses often provide specialist-staffed customer hot lines to answer your questions, and they publish newsletters with examples of how businesses are using their products. Not long ago, such hot lines had 800 numbers. They are no longer toll-free, and vendors have begun charging fees for phone assistance.

You have tallied the results and made a selection. Now you are ready to apply the same approach—narrowing your choice and testing the candidates—to the purchase of a PC. But first you need to know a bit about the language of PCs and what makes them tick.

You will be buying a system: a monitor (the TV-like screen), a keyboard and a data storage device which also contains the computer (microprocessor chip) proper. You will almost certainly want a printer to put on paper what you produce with the software. If you plan to communicate directly with other computers not under your own roof, you also need a modem to connect over telephone lines.

Whatever software you choose will limit you to hardware designed for a

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particular operating system. For instance, the top selling spreadsheet Lotus 1-2-3 can only run under the PC/MS DOS operating system, which is used in all IBM and IBM-compatible microcomputers.

The software's documentation will also specify how much internal memory the computer must have. At the moment, standard microcomputers have memories of 128 kilobytes (K) or larger. If you buy a computer with 128K of memory and buy software that requires 512K of memory, you will need to replace a circuit board or add a new one to get more operating room. Most computers can grow in both hardware and software according to your needs, but for most business purposes, 256K is an absolute minimum.

Other hardware choices, such as the size of the computer screen, style of keyboard and type of printer, are really optional. But Steve Milan, a senior microcomputer consultant in the Houston branch office of Deloitte Haskins + Sells, urges that you consider the pros and cons of the two main computer storage devices—hard disk drives and floppy disk drives.

All systems must have 5¼- or 3½-inch floppy disk drives to enter software. Most PCs depend exclusively on "floppies," which hold less and are slower than hard drives.

A hard disk (Winchester) drive contains a hard-surfaced, nonremovable disk for storing and retrieving a lot of information at very high speeds. Until recently, hard drives were too expensive for use with PCs.

But that is changing. Prices for hard drives are dropping, and as they do, a greater share of the PC world is embracing them. Hard drives still cost more than floppies but are worth the difference, says Milan. "What the first-time user does not often realize," he says, "is that a wait of even a few seconds can seem like an eternity when you're planted in front of a terminal."

It is not a good idea to depend only on a hard disk for storage. Hard drives are more prone to failure than floppies, and it is not inconceivable that a mishap could wipe out all your records if they were stored on a hard disk system alone. You will need a backup system, such as a high speed tape drive, to copy files at the end of the day.

Once you have decided on the complete system—computer, peripherals and software—shop around for the best deal among full service vendors.

Check the vendor's qualifications by talking to at least five of his past customers, Sachs says. It is not enough to confirm that he is technically competent. "You also want to get a feel for his personality," says Sachs. Is this the kind of person your employees will feel comfortable around as they learn new ways of doing their jobs? You want someone who is going to facilitate your business' transition to computers.

Of course, you could order everything—from the computer to paper for the printer—from a discount mail order house, but most experts would discourage you from doing so.

"Mail order, especially for hardware, is a scary way to go," says Milan. "The outside [of the computer] may look like an IBM, but the components inside may be inferior. There is no way of knowing, since you cannot test the system."

"With mail order, you're completely on your own," says Sachs. You have to hook up and install the system yourself and there is no local representative to turn to if something goes awry. Consequently, Sachs says, the money you save may later be spent on a maintenance contract with an independent dealer.

Most reputable mail order houses, however, do offer a limited warranty on equipment.

No matter how you choose to buy, there is no substitute for knowing exactly what you want. NB

Next: How to get started—install and phase in a computer system—the right way.

To order reprints of this article, see page 69.

What Office Software Does

Word processors: Produce typical paper work of the modern office.

Features to look for: Ability to enter, edit, delete, format, underline and store text and create italics and boldface. Some advanced features include: Automatic page numbering and spelling checker, subscripts and superscripts, footnotes, varying type fonts and the capability to work with page layout and database software.

Accounting: Automates accounts receivable, accounts payable, general ledger, inventory, purchase orders, and billing and payroll.

Features to look for: Programs vary greatly in flexibility, capacity limitations and special features. An advanced feature that is particularly useful is integration—the ability to send data to the general ledger from other information sources.

Spreadsheets: Used to predict the effects of various financial decisions.

Features to look for: Built-in mathematical formulas to solve such problems as budgeting, cash flow management and rate of return; presentation of results in standard worksheet grids and charts.

Most spreadsheets include macros—the ability to store a sequence of keystrokes that can be automatically executed when the program is invoked. Mastering a macro language requires some knowledge of programing.

Spreadsheet templates: Programs tailored to specific business tasks like project management, tax planning and real estate analysis.

Features to look for: Built-in formats, formulas and macros, so that all you have to do is fill in the blanks with data.

Database management: Various programs that store and organize files of information in similar format and access files by a variety of criteria. Used to generate customized reports. *File managers* usually restrict you to looking at one file at a time and are intended for simple tasks like maintaining a mailing list. *Relational databases* look at more than one file at a time and correlate information between files to find patterns and trends. They require expertise in programing to set up.

Features to look for: As with accounting software, programs vary in flexibility, capacity, limitations and special features. An increasingly popular advanced feature is the ability to issue instructions to the software in simple English.

Egypt

In this ancient land, the potential is growing for a future as glorious as its past.

Egypt's sophistication dates back thousands of years, as does its history as a Mediterranean economic power with strong ties to the West.

Modern office and apartment buildings are going up all over Cairo, arguably the oldest city in the world.

Egypt's largest city is leading the country into a bold economic takeoff.

PHOTO: EGYPTIAN TOURIST OFFICE

PHOTO: EGYPTIAN TOURIST OFFICE

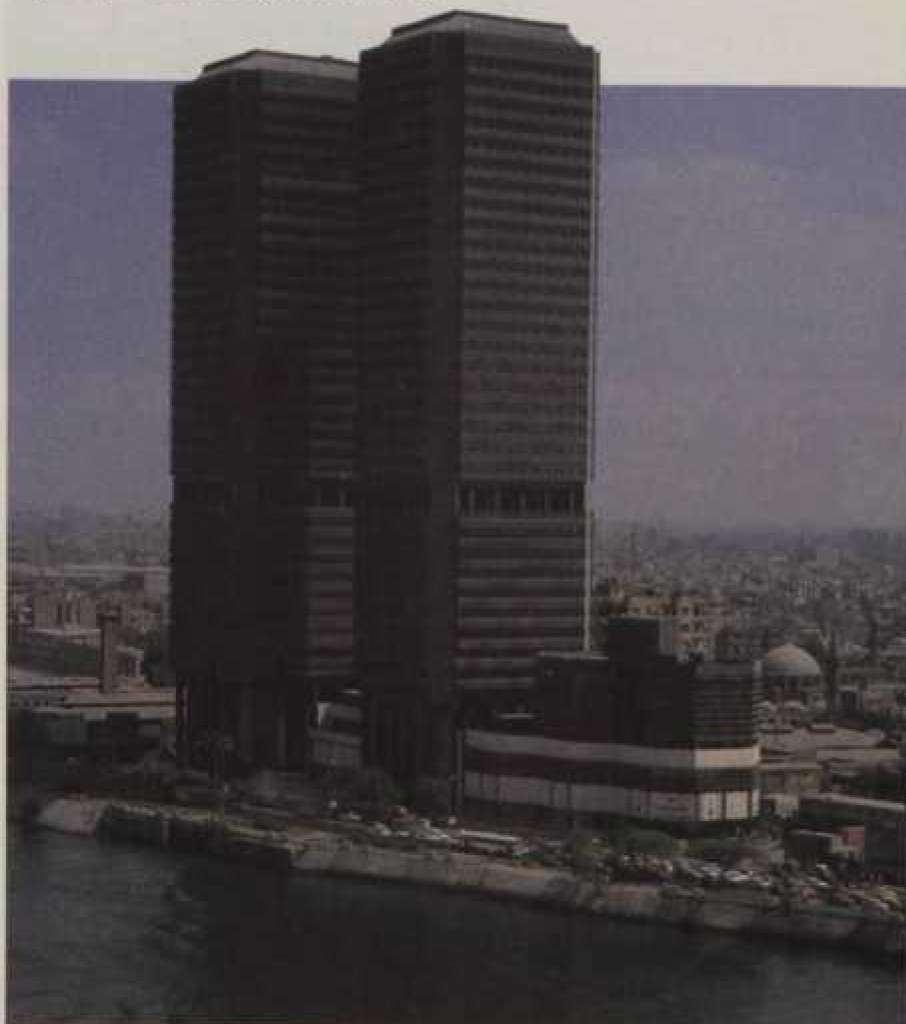


PHOTO: GROVER HEIMAN

A new sound is mingling with the haunting calls to prayer that are megaphoned from soaring minarets above the mosques of Cairo. It is the sound of jackhammers and bulldozer engines and the voices of thousands of construction workers calling to each other from rising buildings, bridges and roadways. It is the sound of progress.

In what is arguably the oldest city in the world, you now hear terms like "infrastructure" tossed around by government officials and business people. Work is proceeding apace on Cairo's first subway system. Elevated roadways are already bringing relief from the traffic jams in the streets. And modern office and apartment buildings are going up along miles and miles of this European-seeming megalopolis that is leading Egypt into a bold economic takeoff phase.

Cairo is considered by many to be the capital of the Arab world. But the city also turns its face toward the Mediterranean Sea. Egypt's economy is tightly linked with the economies—and cultures—of Europe. Since the pharaohs' commercial fleets first plied the waters that lap what today are Italy, France, Spain, Greece and Turkey, Egypt has been a Mediterranean Basin economic power.

This 7,000-year relationship with the West has undergone many changes, but contact with the rest of the world has been constant and mutually nourishing as sophisticated Egyptians have adapted to political and economic evolution.

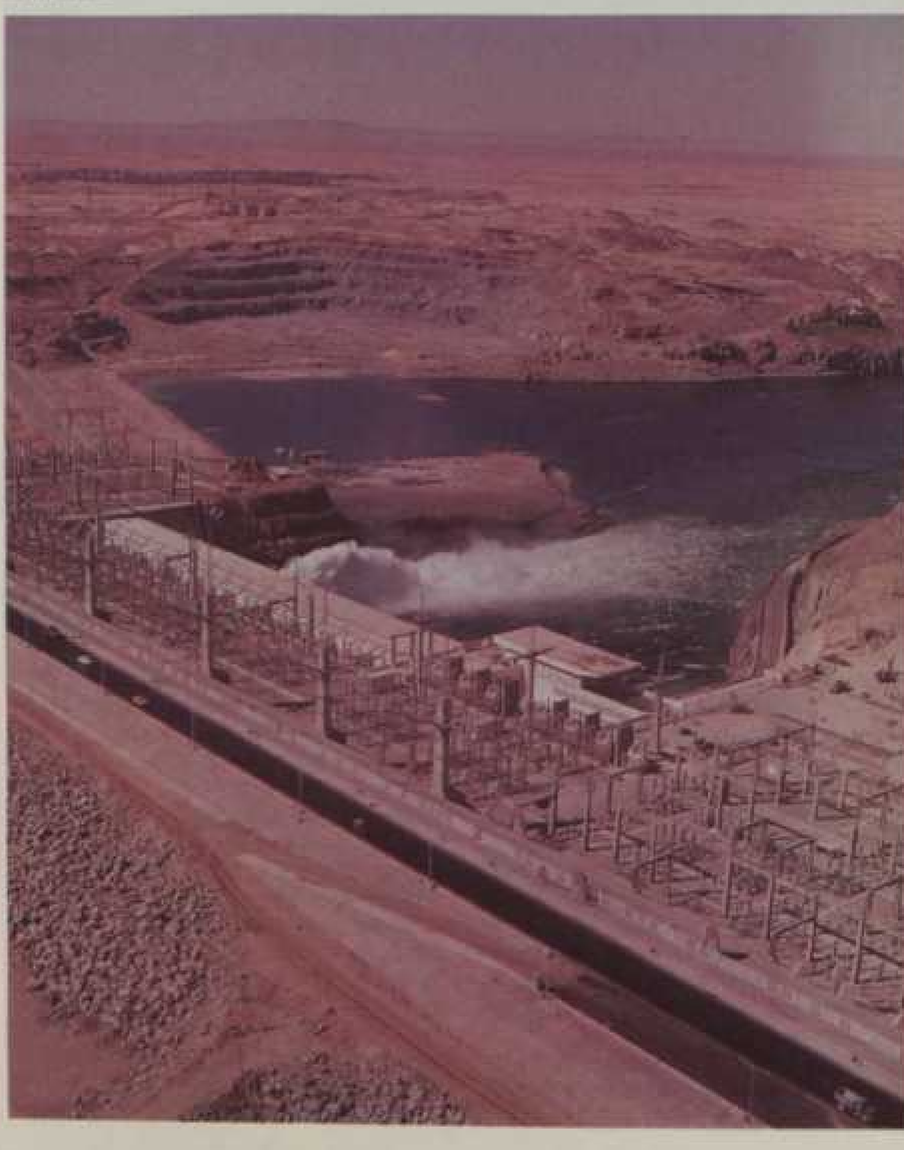
Cairo, it is relevant to note, is closer to Rome than Rome is to Oslo, Stockholm, Dublin or Edinburgh. Egyptian business people and Europeans they deal with think nothing of flying back and forth across the Mediterranean for a single day's business.

These geographic facts are much more valuable to Americans than as details useful for the next Trivial Pursuit game. For American companies interested in expanding into foreign markets, Egypt is a superb place to locate a factory, a commercial service office or a tourist facility.

Egypt itself has a domestic consumer

The High Dam at Aswan (bottom photo) is one of the greatest engineering marvels of modern times. It serves the dual purpose of controlling the Nile's flow and generating electricity. Lake Nasser (top), formed by the dam, is a 2,000-square-mile body of water fed both by the White and the Blue Niles.

PHOTOS: AL AHRAM



market in excess of 50 million. It is within close striking distance of the 350 million consumers of the rich European market and, through the Suez Canal, it is able to reach many millions in other Arab lands and Africa. Furthermore, the vast, developing markets of south Asia are easily accessible through the Suez Canal and beyond the Red Sea.

The Egyptian government has provided an ideal investment climate. Egyptian labor is cheap and abundant, and workers learn new skills easily. Egyptian entrepreneurs have the aptitude to show how goods and services can best be accommodated to theirs and neighboring cultures. They are among the world's most able traders and make excellent business partners for Westerners.

Egypt is an island of stability in the midst of the troubled Middle East. Cairo's normal peaceful bustle has not been interrupted by the major strife that plagues some countries in the region. The political system of Egypt is unchallenged by subversive forces. The nation's military services are powerful, well equipped and staffed by dedicated personnel.

Tourism

Egypt's "safe haven" status has contributed to a fast-developing tourist industry. Alexander, Caesar and Napoleon have been among the countless millions who have stood in awe before the pyramids and strolled with gaping mouths through the colossal temples and mysterious tombs of the pharaohs.

The government has encouraged tourism, opening tourist offices around the world and channeling foreign capital toward construction of new Egyptian hotels.

Egypt receives more than 1.2 million tourists annually and houses them in some 1,150 hotels and pensiones. Some of the most elegant, professionally staffed hotels in the world line the Nile in downtown Cairo. There are charming resorts in Luxor, Aswan, Alexandria, Ismailia and dotting the lush coast of the Red Sea.

Dining on fresh seafood and fruit in a Nile-side restaurant and watching a fleet of feluccas gliding on the river into the sunset is a very pleasant way to spend an evening. Tourists test their bargaining skills in the ancient Mouski bazaar, where magnificent jewelry, carpets, fabrics, precious metal and stones, ceramics, leather and other craft products are available at bargain basement prices.

And yet Egypt has far from realized its potential as a tourist mecca.

Fouad Sultan, minister of tourism and civil aviation, says Egypt needs to shift emphasis from developing "cultural tour-

ism" toward "leisure tourism." Noting the shift in world tourism patterns since World War II from cultural and historic to recreation and leisure, Sultan says Egypt must realign its facilities to follow the trend.

Sultan, a financier by profession, is approaching the task of invigorating Egypt's tourism industry in an entrepreneurial fashion. If tourists come for culture, he would like to induce them to stay longer

Finance, The Islamic Way

Islamic financial methods stress partnership in financial dealings to avoid the interest-based procedures of Western finance.

The cornerstone of Islamic banking activity is a system of managing partnership ("musharakah"), sales partnership ("mourabha") or equity partnership ("modarba"), thus presenting an alternative to interest ("riba"), which is forbidden by Islam.

These operations are based on the actual use of money and not on the creation of credit. Faisal Islamic Bank of Egypt uses these Islamic modes and deals primarily in physical assets. The total volume of financing operations for 1985 was about $2 billion.

Here is how the system works:

"Musharakah": Partnership

- The bank joins with its clients in all commercial, industrial or agricultural operations or services as a partner, not as a creditor.
- Profits—or losses—are distributed according to the agreement in the partnership contract. A percentage of the net profit is deducted for administrative services, and the remainder is divided according to the share ownership in the partnership.

"Mourabha": The Sales Contract

- The client asks the bank to purchase merchandise for him.
- The total cost of the purchase is determined, including price, custom duties and expenses.
- A profit margin is added to the cost to determine selling price.

"Modarba": Equity Partnership

- The bank puts up the capital; the other partner manages the company.
- Profits are divided by share ownership; losses are borne by the capital partner unless the managing partner has been negligent.

Tourists who come to Egypt for its culture may be induced to stay longer and enjoy some of Egypt's beautiful leisure spots. If they come for recreation, they may be lured into the temples and tombs of the pharaohs.

and enjoy some of Egypt's beautiful leisure spots. If they come for what he calls "the three S's" (sun, sand and sea), he believes he can lure them into the temples and tombs of the pharaohs.

As a free enterprise-oriented thinker, Sultan prefers less government involvement in the tourism industry and more private initiative in constructing hotels and resorts. Sultan is less than pleased with the way public sector facilities serve tourists' needs and openly invites American tourism executives to make investments in his country.

"I try to confine the government's role to protecting the environment for investors and not competing with them," he says.

Under one of Sultan's plans, private groups are invited to lease government-owned hotels (some of them luxurious relics of the past in need of renovation) for 20 to 30 years at modest rates—if the hotel chains agree to upgrade them with capital improvements.

Sultan believes investments improving Egypt's tourism infrastructure would easily double the number of visitors the country receives annually. "Tourism is one of the few industries about which it may be said Egypt has a comparative advantage that will benefit investors," Sultan says.

Egypt has an excellent system of transportation, making it easy for tourists to get around and also facilitating commerce.

A network of trains connects Cairo with all Egypt's major cities in the Delta region. First class travel is a very pleasant way to experience the beautiful countryside, particularly the trip between Cairo and Alexandria on the Mediterranean. Trains also run south to Luxor, locale of many of Egypt's greatest historical treasures.

EgyptAir provides service throughout Egypt and is a full-fledged international carrier, with convenient schedules for many major cities around the world, including flights between Cairo and New York.

In a land where recorded civilization dates back nearly 7,000 years, half a century is not generally noteworthy, says Ismail Sherif, vice chairman of EgyptAir, but in the history of air transportation it is significant. This year EgyptAir marked its 54th year, making it not only the pioneering airline in the Middle East but one of the pioneers in the world.

The fledgling airline was founded in May, 1932, as Misr Airlines (Misr means Egypt). Since then the company has continually modernized its fleet of aircraft to meet growing demand for seats and to provide the most efficient and comfortable airliners.

To operate in the increasingly competitive international field, says Sherif, the airline turned to American manufacturers in 1968 and purchased the Boeing 707/320C. Seven Boeing 737/200 twin-engine jets, each with a seating capacity of 121, were added in 1976. Three years later, EgyptAir began acquiring three Airbus A-300s, built by a West European consortium. With a seating capacity of 255, these wide-bodied aircraft proved so popular that EgyptAir added five more in the early 1980s.

In 1984, EgyptAir again turned to U.S. manufacturers and purchased three fuel-efficient wide-bodied Boeing 767/200s, the most modern aircraft of its category now in operation.

Says Sherif: "We want to renew and update our fleets, and I want to see our new planes come from the United States, but I need assistance from the financial institutions, such as Eximbank and others.

"Under our five-year development plan (1987-1992), we plan to purchase two 747 jumbo jets and seven other 150-seat airplanes to replace our old Boeing 707s and 737s. We want to buy from the United States, and all that I am hoping for is not to go through the endless routine, exaggerated guarantees and back-breaking formalities of obtaining financing in the way we have in the past from the United States.

"Our company has the best credit. We have never had any problems in meeting our financial obligations in time. It is not a

PHOTO: EGYPTIAN TOURIST OFFICE

MAP: TRISH REGAN

secret that when we bought our Airbus from Western Europe, EgyptAir was not asked by the Europeans to go through such incredible formalities or financial guarantees. The guarantees of the commercial banks should be enough in my opinion for any deal—and we have those guarantees."

Along with its continuous fleet modernization program, Sherif says, EgyptAir has begun a very ambitious development program in other areas. The air carrier has installed a new British reservation system, OSORES, which improves the quality of passenger handling and other operational requirements. To handle the new computer system, the airline has completely refurbished its computer center building. Among the new equipment installed is a full scale uninterruptable power supply. A new advanced network control center has been added.

The changeover from the old EgyptAir system, acquired from Aer Lingus, to the newer British system normally would have required a minimum of two years. But EgyptAir personnel, with support from IBM (which supplied the computers), SITA and British Airways, completed the changeover in half the time.

EgyptAir now has its own engine shop where a highly trained staff keeps its jets flying safely and on schedule. Because of the need for scrupulous cleanliness, the building is pressurized to exclude dust and desert sand. The pressurized ventilation and filtering system provides five air changes per hour. Eventually the airline plans to offer maintenance and engine rebuilding services to other airlines using Cairo International Airport.

In addition to passenger operations, EgyptAir is heavily involved in air cargo shipments. The airline inaugurated a new air cargo terminal in May, 1981, that is the largest and most modern in the Middle East. The present capacity is 100,000 tons annually, but through an ongoing expansion program the cargo handling capacity will soon be increased to 200,000 tons annually.

Headquartered in the hub of the Arab world, EgyptAir remains poised and ready to ensure that it will continue to be a vital link between the East and the West and the Middle East and Africa.

Energy

All the construction work going on in Cairo may be a temporary inconvenience to visitors, but it is welcome news to business people who realize that all the noise and activity will result in improved roads, sewers, water and office and factory facilities. It is music to an industrialist's ears to hear that Egypt is steadily realizing its energy goals—goals vital to industrial expansion.

Maher Abaza, minister of electricity and power, is attacking Egypt's energy problems with enthusiasm tempered by the rationality of an engineer, which is his profession. His direction of a five-year energy plan (ending next year) will result in increasing the annual per capita consumption of electricity from 500 kilowatts per hour to 750 by the end of 1987. In 1981, the total generated energy in Egypt reached 18 billion kilowatt hours. By late next year, it will top 42 billion. This addition (the equivalent of 4,200 megawatts) is approximately 150 percent of the available total electric power in Egypt in 1981.

This additional capacity will be dedicated to serving anticipated expansion of industry and agribusiness as well as pumping more power to new communities for land reclamation and public utilities. By 1993, four more coal-powered plants will have been constructed, boosting power reserves even higher.

Some of the funding for these electrical generating facilities came from U.S. Aid for International Development funding and is an illustration of an American commitment to create the right conditions in Egypt for economic takeoff. Increased power transmission to rural areas is opening up whole regions for myriad forms of development.

Demand for electricity is expected to reach 1,600 kilowatts per capita annually by the end of the century. "That is the target figure we have used in our planning," says Abaza. The annual growth rate in consumption reached about 15 percent in 1984, causing Abaza and his ministry to accelerate their conservation program. He expects the 1986 growth rate will prove to be down to 10 percent.

Conservation cannot be the whole answer. Solar power and other alternative sources are seen as part of the solution. A ministerial committee is overseeing solar projects. In the future all new buildings—especially in some newly planned cities—must install solar heaters. This will cut consumption of natural gas.

In addition, the committee has recommended requiring public and private sec-

Al Ahram, Egypt's most prominent newspaper, will publish an international edition in New York beginning in January. It will go to the large Arab-American population interested in fresh reports on the Middle East.

Bringing Cairo To U.S. Readers

PHOTO: T. MICHAEL KEZA

Al Ahram, the most prominent journalistic voice of the Middle East, is coming to the United States. Its international edition will be published in New York beginning in January.

The respected 1 million-circulation daily began international circulation in 1984. Beginning in June of that year, it was sent by satellite from Cairo to London for printing and distribution by air.

Success in Europe spurred interest in spreading its influence to America, where an increasingly large Arab-American population has been unable to get the newspaper on a same-day basis.

The New York-published facsimile edition will give readers in America who are interested in the Middle East fresh reports and insights into the vitally important Arab region.

It will also provide the cultural, social and religious news for which the newspaper is as well known as it is for its superb political and economic coverage.

"The Egyptian population in the United States really misses Egypt," says Washington-based foreign editor Hamdi Fouad. "Many people grew up with *Al Ahram* as part of their daily lives."

Al Ahram will be published in Arabic and will include most of the articles carried in the Cairo edition, excluding some Egyptian advertising and articles of strictly Egyptian interest.

The international edition, for example, does not contain Egyptian television and theater schedules but does carry the Moslem prayer times in the capitals of the world and the schedules for radio broadcasts in Arabic.

The newspaper frequently reflects official policy, but also carries summaries of articles published in the journals of political parties and groups opposed to the government.

The North American edition will, in fact, carry some articles that might be considered too controversial for publication in Egypt, says Fouad.

"We will try to make it more independent," says Fouad. He says he sees journalists "as patriots, but not as politicians."

The North American edition will carry Fouad's influential column on the United States and its relationship to the Arab world. Fouad, a senior member of the Washington press corps, is an effective advocate of the position that the Arab voice should be heard on matters ranging far beyond simple Arab-Israeli issues.

"We have our own point of view about such matters as the Reagan-Gorbachev summit," says Fouad. "Egypt is not rich, but it is a very sophisticated country."

Al Ahram was founded 111 years ago and became the largest-circulation daily in Cairo on Fridays (Islam's day of rest) and has been published without a day's interruption since Aug. 5, 1876. It boasts of having on its staff many of the country's most prominent intellectuals in a number of fields.

It is an "independent newspaper," says Fouad. Erroneously, he says, some regard it as a semi-official journal because it publishes the official point of view on many subjects. It is important to note, he adds, that it reflects many other viewpoints as well.

Al Ahram extensively covers the latest events in the banking and commodity worlds as well as other economic trends. For a much more in-depth review of events, it publishes a weekly economics magazine, *The Economic Al Ahram*, that has had a very constructive role in helping shape the business climate of Egypt.

And it publishes three other magazines: *Sciences, Future of Youth* and *International Policy*.

Al Ahram's production equipment is state-of-the-art offset, as modern as the processing facilities of any newspaper in Europe or the United States. It was the first Egyptian paper to make the transition to offset printing.

Al Ahram's experts studied the new technology for a decade, meeting with printing experts throughout the world and carefully evaluating all the options.

The end result is printing from nylon plates, a camera that photographs an entire page and laser technology for color separations.

All typesetting is now done on a new computer, which is protected from voltage irregularities by a battery of sophisticated regulators.

These regulators not only ensure a constant supply of electricity, but if the electricity is shut off the computers can operate long enough for the operators to save the work in progress.

Going to the offset printing method was a pioneering move by *Al Ahram*. The staff made the transition in less than two months. The presses have a capacity of between 40,000 and 60,000 copies per hour.

Credit for the smooth transition to new equipment and processes, say *Al Ahram* officials, must go to the creativity displayed by reporters, technicians and administrative people on the staff who worked cooperatively out of love for and allegiance to Egypt.

"*Al Ahram* is part of Egypt, reflecting its struggles and development and the strong will of the Egyptian people," says Fouad.

Now, *Al Ahram* officials say, with its new international edition, Egyptians in the United States will feel closer to home and will strengthen their already strong ties with their homeland.

The newspaper reaches all segments of Egypt, but it is particularly well read by opinion leaders in the commercial, religious and political fields.

tor factories that use low and medium temperature water to utilize solar heating units. Hospitals will also be required to use solar heating.

The committee has recommended prohibiting issuance of licenses and permits for new factories that would produce electric heaters and furnaces, and has given notice to those already making such heaters and furnaces that they should convert their operations to produce solar heaters.

Abaza's ministry is also making good use of Egypt's historic source of life: the River Nile. The High Dam at Aswan is one of the greatest engineering marvels of modern times. It serves the dual purpose of controlling the Nile's flow and generating electricity. Lake Nasser, formed by the dam, is a 2,000-square-mile body of water fed by both the White and the Blue Niles that originate deeper in Africa. Engineers are studying ways to increase power generation from the great dam.

Abaza is quick to credit the assistance of the Agency for International Development, in the form of grants and low-interest-bearing loans, as playing a significant role in the achievement of Egyptian energy objectives. Egypt has asked for an additional $250 million on a yearly basis for the coming five years to help expand output of electricity.

Through a mixture of added electrical power, conservation and solar power, working in concert with Egypt's natural oil and gas wealth, the country is able to assure incoming investors of the power they need to begin manufacturing processes.

The Suez Canal

Since 1869, the Suez Canal has assured faster, less costly commerce between West and East. As such it has had a substantial indirect impact on the economic development of all countries whose ships ply its waters between the Mediterranean and the Red Sea.

Egypt has continued to upgrade the canal and to expand it for the larger and deeper draft ships of modern commerce. Capt. Aly Nasr, deputy director of transit for the Suez Canal Authority, says that when the Iraqi-Iranian War is over, the canal will experience a genuine boom as the two countries rebuild their economies and commerce flows more freely.

Meantime, the canal is seeing a steady increase in shipping between Asia and Europe, particularly because the authority increased its fees an average of only 4 percent this year.

The Suez Canal drastically cuts shipping mileage. For example, a voyage from Rotterdam to Bombay around Africa's Cape of Good Hope is 10,850 miles. The same trip through the canal is 6,337. From Piraeus in Greece to Jeddah in Saudi Arabia is 11,410 miles around the cape and 1,320 through the canal.

The Future

Egypt is moving with determination and enthusiasm toward industrialization, high technology and the most modern services. It has thrown its doors open to international investors. It is busily creating the necessary infrastructure and training for workers.

It is a country with an extraordinary history and, its economic prophets believe, the potential for an extraordinary future. NB

SPECIAL ADVERTISING SECTION

MANAGING YOUR BUSINESS

How To Win Friends—For Half A Century

By Sharon Nelton

Dale Carnegie's How To Win Friends And Influence People *was written from notes gathered by his secretary on his course in public speaking and human relations. It has sold millions of copies in more than 30 languages. The photo was taken about the time it came out.*

PHOTO: UPI—BETTMANN ARCHIVE

In January, 1937, humorist James Thurber reviewed Dale Carnegie's *How To Win Friends and Influence People* for the *Saturday Review of Literature* and found the book wanting.

"Mr. Carnegie," Thurber complained, "loudly protests that one can be sincere and at the same time versed in the tricks of influencing people. Unfortunately, the disengenuities in his set of rules and in his case histories stand out like ghosts at a banquet."

But never mind. Though Carnegie died in 1955 and Thurber joined him in the great beyond six years later, The Book lives on. First published in October, 1936, by Simon & Schuster with a printing of 5,000 copies and a hardcover price of $1.98 (now $16.95), *How To Win Friends*, aimed at helping readers achieve success through self-confidence, made publishing history.

Soon 5,000 copies were being sold a day, revealing the tremendous hunger in America for self-help books and setting sales records for nonfiction. Now celebrating its 50th anniversary, The Book has been translated into more than 30 languages, and more than 15 million hardcover copies have been sold.

Leon Shimkin, then a junior executive and later board chairman at Simon & Schuster, was responsible for acquiring The Book for his company. Shimkin first heard Carnegie in Larchmont, N.Y., when Carnegie gave an introduction to his famous course in public speaking and human relations. Shimkin was impressed enough to take the course.

Then he was impressed enough to suggest that Carnegie do a book based on his lectures. Carnegie wasn't interested. But he finally agreed to let his secretary gather notes, and between the secretary, Shimkin and Carnegie, a book came into being two years later.

"It became more successful than his course ever was," says Shimkin, now 79 and retired.

The son of a Maryville, Mo., farmer, Carnegie was born Nov. 24, 1888. His mother reared Dale as a strict Methodist and, given to making speeches on sin, liquor and the salvation of souls, she was his first oratorical role model. Perhaps the earliest hint of his destiny came one morning in 1900 when the skinny farm boy stood up in Sunday school and gave a talk entitled, "The Saloon, Offspring of Hell."

As a student at the State Teachers College (now Central Missouri State University) at Warrensburg, Mo., he couldn't afford to board in town, and he had to ride to and from school on horseback.

"This had its compensations, however," observed a droll *Current Biography 1941*, "because Carnegie could try out his recitations on the horse."

After college, he tried brief stints at selling and acting, and in 1912 he found himself in New York without a job. He decided to teach public speaking and approached the YMCA on 125th Street.

"The Y had so little faith in my public speaking course that it refused to risk $2 a night—a teacher's salary in those days," said Carnegie. He offered to work on a profit-sharing basis: From the first money that came in, the Y could pay for printed matter and postage for the course. If there was any profit, it could be divided.

Within a few months, Carnegie was teaching classes in YMCAs in New York, Philadelphia, Baltimore and Wilmington and making $30 to $40 a night in commissions.

People came, he said, because "they wanted to solve their problems. They wanted to be able to stand up on their feet and say a few words at a business meeting without fainting from fright. Salesmen wanted to be able to call on a tough customer without having to walk around the block three times to get up courage. They wanted to develop poise and self-confidence. They wanted to get ahead in business. They wanted to have more money for their families."

His first marriage ended in divorce, but a dozen years later he met stenographer Dorothy Price Vanderpool, who had taken a Carnegie course in her native Tulsa. Smitten, he asked her to come to New York as his secretary. According to William Longgood, author of a book about Carnegie, Dale and Dorothy were married in November, 1944, after a tempestuous courtship during which she quit her job and was packing to go home "only to have him

Dale Carnegie was at first not interested in writing The Book that hundreds of thousands of business people swear by.

turn on the how-to-win-friends charm and influence her into staying."

Though his upbringing was strict and his message tinged with a religious fervor, Dale Carnegie was not without a sense of fun. He enjoyed collecting examples of humor drubbing him, including a book called *How To Lose Friends and Alienate People*. The *New Yorker* once reported that he had turned up as a supernumerary in a performance of the ballet "Scheherazade" at the City Center with his friend Homer Croy (to whom The Book is dedicated). They were paid a reported $1 apiece. One of the professional dancers was asked if she felt influenced by Carnegie. "If Nijinsky was a super," she responded, "*he* wouldn't influence me."

Carnegie began licensing the Dale Carnegie courses in 1944 and in 1945 set up a private stock company with himself as president and Dorothy as vice president. Dorothy Carnegie, who was born the year her husband began working for the Y, has carried on his work for the last three decades and is now chairman of the parent company, Dale Carnegie & Associates, Inc., in Garden City, N.Y. President is another Carnegie devotee, J. Oliver Crom, whose wife, Rosemary, is Dorothy Carnegie's daughter by a previous marriage. The Croms' three children also work in the 300-employee company, two as managers and one as a course instructor.

The courses—prices range from $300 to $900—have grown from the original instruction in public speaking to such topics as sales, customer relations and professional development. Crom expects them to reach about 140,000 students this year through more than 100 licensed offices.

Although students have included virtually everyone from housewives to engineers, the names of some of the graduates add a special luster: Chrysler Chairman Lee Iacocca; Labor Secretary William E. Brock; Mary Kay Ashe, chairman of Mary Kay Cosmetics; and chicken magnate Frank Perdue.

Even two squads of Dallas Cowboys Cheerleaders have been through Carnegie training. The courses teach the cheerleaders communication skills they need for public appearances and help them cope with instant celebrity, explains Debbie Bond, the Dallas Cowboys Cheerleaders' assistant director and a Carnegie graduate herself.

Why has the *How To Win Friends* message enjoyed such longevity?

"Because it has been very effective; it works," answers Bond, who says the biggest impact on her has been in giving her self-motivation. "I tell people about Dale Carnegie all the time because it changed my life."

Oliver Crom believes The Book's success is based on the fact that his father-in-law turned to principles that have stood the test of time. "The ideas I stand for are not mine," Carnegie once said. "I borrowed them from Socrates. I swiped them from Chesterfield. I stole them from Jesus. And I put them in a book. If you don't like *their* rules, whose would you use?"

In an article in *American Heritage* not long ago, business writer Peter Baida was discussing another acclaimed book, *In Search of Excellence*. "It is an interesting book that deserves to be widely read," he said. "But at bottom it has little to add to the lessons that Dale Carnegie taught to a whole generation of Americans half a century ago." NB

Dale Carnegie's Principles

Fundamental techniques in handling people

Don't criticize, condemn or complain.

Give honest and sincere appreciation.

Arouse in the other person an eager want.

Six ways to make people like you

Become genuinely interested in other people.

Smile.

Remember that a person's name is to that person the sweetest and most important sound in any language.

Be a good listener. Encourage others to talk about themselves.

Talk in terms of the other person's interests.

Make the other person feel important—and do it sincerely.

How to win people to your way of thinking

The only way to get the best of an argument is to avoid it.

Show respect for the other person's opinions. Never say, "You're wrong."

If you are wrong, admit it quickly and emphatically.

Begin in a friendly way.

Get the other person saying "Yes, yes" immediately.

Let the other person do a great deal of the talking.

Let the other person feel that the idea is his or hers.

Try honestly to see things from the other person's point of view.

Be sympathetic with the other person's ideas and desires.

Appeal to the nobler motives.

Dramatize your ideas.

Throw down a challenge.

How to change people without giving offense or arousing resentment

Begin with praise and honest appreciation.

Call attention to people's mistakes indirectly.

Talk about your own mistakes before criticizing the other person.

Ask questions instead of giving direct orders.

Let the other person save face.

Praise the slightest improvement and praise every improvement.

Give the other person a fine reputation to live up to.

Use encouragement. Make the fault seem easy to correct.

Make the other person happy about doing the thing you suggest.

Franchising

Employment service franchises are expanding rapidly as businesses look for help in the sensitive area of hiring.

By Ripley Hotch

Hiring is one of the most important—and difficult—jobs a manager has to do, especially as the legal system increasingly intrudes into personnel decisions.

Employment service franchises that help relieve that pressure on management by taking over the hiring process for a fee are growing handsomely, along with the personnel placement industry as a whole.

"The personnel industry last year and this year acquired significantly more new franchises," says Douglas Kushell, president of Franchise Search, of Glen Cove, N.Y., a recruiter of personnel for franchisors. "There could not be a better time for people to get into this industry."

In a survey of its members, the National Association of Personnel Consultants concluded that gross revenues in 1985 increased more than 25 percent over 1984, says Alan Burkhard, a member of the NAPC board of directors and president of The Placers, Inc., a nonfranchised Wilmington, Del., placement firm.

Franchised personnel placement companies have an edge, says Alan Schonberg, president and chief executive officer of Cleveland's Management Recruiters International. Franchisees can expect better profit performances than independent personnel placement offices, he says.

Schonberg's company has four subsidiaries specializing in different areas: Management Recruiters (middle and upper management), OfficeMates 5 (clerical and office support staff), Sales Consultants (sales and marketing) and CompuSearch (anything to do with computers). The multiple specialty approach has paid off for MRI, which projects gross revenues for 1986 of "close to $200 million," says Schonberg—the highest in the employment service industry.

The major obstacle to growth in placement of permanent personnel, says Charles Gray, president and chief executive officer of Dunhill Personnel System, Carle Place, N.Y., the third largest employment service franchisor, is the attitude of larger American corporations. "Only about 15 percent of the corporate employment dollar is being spent on service fees," he says. "The companies have their own personnel departments or their own corporate recruiters. So we have to educate corporate America that we can do it better and are worth the cost."

Robert O. Snelling, Sr., president of Snelling & Snelling, Sarasota, Fla., the largest franchised personnel service in number of offices (470), is not a member of the council. He thinks the marketplace will force corporate employers to turn more to the services. "Our business is on the threshold of busting loose," he says. "Employers will be coming to us because of a shortage of workers—and the shortage is going to come."

Placement franchise officials point to a number of employment growth areas: engineering, data processing, technical services, health care, financial and office services, accounting, and—especially—sales. "People want revenue generators now," says Gray. "Food salespeople in particular are in strong demand."

Snelling says demand in the hospitality field (chefs, convention managers, plant managers) is also very strong. "When you need someone in that field," he says, "paying $10,000 to get them doesn't even faze you; all you think is, you've got customers coming in that door and you need someone."

And what do you pay to open a franchised personnel placement office? You can expect a franchise fee ranging from $7,500 to $25,000. Costs of actually getting an office under way run upward of $100,000.

Many of the permanent placement franchisors are offering temporary placement franchises as well. Temporary placement is exploding in growth, partly because of employers' desire to keep permanent hiring low.

"Employers plan temporary help for peaks and valleys," says Allan C. Sorensen, president and chief executive officer of temporary employment franchisor Personnel Pool of America, a Fort Lauderdale, Fla., subsidiary of H&R Block, the tax preparation firm.

Another source of strength, he says, is that hiring permanent employees has become so complicated. "Good permanent employees are hard to find, and when you hire one who is not good, it's more difficult to terminate him than it used to be."

Employment service franchisors say the best franchisees have some sales experience and some contacts in a particular business. After that, franchisors say, it is their job to help the new franchisee expand those contacts.

Gray says placing permanent personnel is "like painting by the numbers, as long as you can handle the phone. Sometimes you don't even see the company official with whom you are dealing. What gets us in trouble with a new franchisee is if we suddenly find the person has an aversion to using the telephone."

One franchisor that takes a different approach is Romac & Associates, Inc., of Portland, Me. Romac, which has 37 offices specializing in banking, accounting and data processing placements, only looks for franchisees with some prestige in those fields, says President Ralph Struzziero. The motive, he says, is to overcome the often negative image of agencies in the employment field.

Says Struzziero: "When one of our franchisees calls a client, he can say 'I was a vice president with Chase Manhattan Bank,' so credibility follows quickly. By and large we have taken people who have had no sales background but have the right professional image and taught them sales." Romac has seen sales increase 35 percent a year for the last two years. NB

Combing Out The Snarls

If the only sound your customers hear from your company is harsh, you may lose them. Put some effort into communication.

By William D. Ellis

THIS IS THE ONLY NOTICE YOU WILL GET. That is one insurance company's greeting in its annual bill to its customers. Yet, the marketing vice president for this large, competitive corporation probably does not know that it is going out to his hard-won customers.

Lower and middle level employees, operating out of sight of both management and the customer, undermine millions of dollars spent on marketing and advertising with insulting notices. Service representatives, billing officers and others have the most frequent dealings with customers, yet these employees often unwittingly sabotage the corporate image.

Insulting collection notices, unfriendly phone operators and bills that sound like accusations all create a sense of silent antagonism by the consumer toward the company. But the company, particularly the marketing division, all too often is oblivious to the fight that is going on.

Often the customer never sees or speaks to the person who originated the message. If there is any personal contact, it may be an occasion for aggravated outrage.

In the middle of film production at Cleveland-based Cinecraft Studios which produces corporate training films, 30 staff members waited on the set while President Paul Culley dashed off to a pay phone—his business phone had been disconnected. Culley maintained that some mistake had been made, but the phone company official stood by his records. He refused to discuss anything until the check for the outstanding balance was in his hands.

When Culley arrived, furious and carrying his check and copies of payment records, he was stopped in the lobby. Security guards would not permit him to enter the elevators unless he had an appointment with someone. They told him to leave his check at the teller window and send in a mistake claim by mail. This was from a company whose ads claimed, "We understand your business."

William D. Ellis is chairman of Editorial, Inc., a Cleveland-based business management consulting and publishing firm.

ILLUSTRATION: CAMERON GERLACH

Management is often woefully unaware of how the customer is being treated. George N. Havens, chairman and chief executive officer of the Jayme Organization, a Cleveland marketing firm specializing in business-to-business advertising, says, "The unofficial communicators outnumber our official communicators. But they fly way below management's radar, deep within the corporate bureaus. They seldom or never meet a customer, don't know one if they see one, don't know how hard it is to get hold of one." Havens claims that many of these employees look at customers as interruptions. "They believe efficiency could be improved if the nuisance could be eliminated."

In order to help employees improve their relations with customers, communication needs to be coordinated on all corporate levels.

If you would like to make some changes in the messages that go out to your clients, the following steps should get you started.

1. Collect samples of all forms that go out to customers: billing communications, delay of shipment notices, acknowledgments of requests for information, back order notices, customer service replies, surveys and announcements of training sessions.

Robert Cottle, vice president of marketing at Ralph Wilson Plastics, of Temple, Tex., suggests you have a trustworthy salesperson revise the forms, making sure the forms are courteous.

If they must go through your lawyers, Cottle advises that the salespeople have a final review afterward.

2. Institute a system for the marketing department to monitor routine communications to customers. "When someone invents a new letter to customers, someone in marketing should see it," says Steve LaFerre, a public relations officer for the B.F. Goodrich tire division.

3. Establish a system for grief mail to get upstairs for regular review. "This is not easy," says the Jayme organization's Havens. "It isn't that the public has not been trying to tell us the problems. It's more that corporate bureaucrats hesitate to send the bad news

up the channels. If you're seeing only good news in your correspondence from customers, look for a bottleneck downstairs."

Conrad Hilton operated under this theory when he sent out apology letters under his own name. The letters included enough detail to make the recipient feel Hilton knew about his complaint: "Please accept my apology for November 13. The fact that you were kept waiting, and then obliged to use another hotel, is distressing to us."

4. Keep tabs on what outside, hired organizations are saying to your customers. The customer will remember your company's name, even if it is the middleman who annoys him.

In Amherst, Ohio, a bank handling utilities payments sent the customers' money in late. The utility automatically sent each customer a disconnection notice. "Your account is past due. If we do not hear from you by________, your service will be discontinued. Reconnection fees will apply. This is your only notice." Neither the company nor the bank apologized or took responsibility for the mishap.

5. Refine telephone answering techniques. Philip D. Estridge, president of the entry systems division of IBM, ordered the removal of all telephone answering machines. "IBM's respect for the individual cannot be carried out by an answering machine," he says.

Cottle points out that the people answering telephones are often not a whole lot more respectful than the machines. Again, the change must start at the top.

Richard J. Jacob, chairman of Dayco, a Dayton, Ohio manufacturer, answers his own phone. He handles nuisance calls because, he says, "one of the calls may be from an auto executive wanting to talk about half a million dollars worth of automotive equipment."

6. Offer training for employees. Have your own salespeople devise a short, fast-paced customer relations seminar. It could include skits, dramatizing different ways to handle phone calls or to wait on customers. Humor helps.

7. Establish a refresher course and some follow-up programs. Personnel changes, people slip back into old habits, but most of all, people need to be reminded and encouraged to listen to themselves talk.

Employees, like customers, appreciate it when they feel you notice their efforts and reward them when they try harder. NB

MANAGING YOUR BUSINESS

Roses Among The Tax Thorns

Although tax reform leaves us minus many deductions, it offers many pluses for starting your own home-based business.

By Joan C. Szabo

"In sifting through the new tax law, I'm finding some golden nuggets among the coarse sand," says a middle manager in a West Coast computer firm. Specifically, he is referring to tax benefits available for someone who runs a home-based business.

For several years, he has toyed with the idea of setting up a part-time consulting business in his home to supplement his full-time job. "Tax reform gave me a needed push," he says.

A shining example of the benefits he is talking about is the Keogh Plan. The individual retirement account has lost much allure under the new law—you can take the deduction of up to $2,000 for an IRA only if you are not covered by a retirement plan at work, or your income is under $25,000 on a single return or $40,000 on a joint return. Another change affects the popular employer-sponsored 401(k) retirement savings plans. Starting in 1987, the tax-deductible amount that an employee can contribute to this type of plan is limited to $7,000 a year. (The limit will be adjusted, beginning in 1988, to reflect inflation.) Previously, as much as $30,000 could be deferred in some cases.

But the tax-free Keogh retirement program is practically unchanged. It allows the self-employed—including full or part-time home-based business owners—to put aside 13.043 or 20 percent of their yearly net business income, depending on the plan selected, and deduct it from their taxes.

Even if a home-based business owner has income over $40,000 from a job outside the home, and his spouse is covered by a qualified retirement plan, he can have a Keogh as long as the home business is profitable. If he hires employees for his business, they must be offered participation in the plan.

Unlike an IRA, which can be set up as late as April 15, a Keogh must be established by December 31 of the year for which it is claimed. But Keogh contributions can be as late as the due date (including extensions) of the tax return.

Arthur Auerbach, tax manager for the Bethesda, Md., accounting firm of Councilor, Buchanan & Mitchell, expects tax reform will "be the spur" for the founding of many home-based businesses.

Financial strategist Charles J. Givens, of Altamonte Springs, Fla., holds that "one of the best tax strategies is to start your own business whether you work full or part time or are retired."

Those who do establish a home-based business will join the growing ranks of small business owners filing as individuals on Form 1040. According to the accounting firm of Touche Ross, "80 percent of small enterprises report business income on individual tax returns because they are organized as sole proprietorships, partnerships and S corporations. These enterprises will benefit from lower individual rates."

In 1988, when the law is fully phased in after a transitional year, the 15-bracket system, with rates reaching 50 percent, is reduced to three brackets: 15, 28 and—for a big chunk of higher incomes—33 percent.

An estimated 80 percent of individual

Tax reform tightens the hobby loss rule that distinguishes a business from a hobby. For example, this artist must show a profit in three out of five consecutive years if her activity is to qualify as a business. The old test was two out of five.

PHOTO: DANE VALDEZ

Roses Among The Tax Thorns

taxpayers will pay the flat 15 percent on all taxable income. The 28 percent rate will apply to taxable income over $29,750 for joint returns and $17,850 for single returns.

The new law phases out the benefits of the 15 percent bracket with a 5 percent surtax on taxable incomes between $71,900 and $149,250 on joint returns or between $43,150 and $89,560 on single returns. Result: an effective rate of 33 percent in these ranges. On top of that, the 33 percent rate applies until the tax benefit of personal exemptions is eliminated. An additional $10,920 will be taxed at 33 percent for each personal exemption. Thus, a family of four will pay 33 percent on taxable income between $71,900 and $192,930. Its marginal tax rate will drop back to 28 percent above that.

During the 1987 transition period, there will be five brackets with rates ranging from 11 to 38.5 percent, and the 5 percent surcharge will not apply.

The new law is able to achieve the lower rate structure by 1) increasing taxes on business $120 billion over five years and 2) broadening the tax base for individuals. The base broadening—the taxing of more income—is done by closing loopholes and squeezing deductions.

To take advantage of those remaining deductions, one strategy Givens recommends is "to pay your child or children to work in your small business. By paying two children $20 per week for 50 weeks, you replace a $2,000 lost IRA deduction with a $2,000 salary deduction. The children can put the money into an IRA or pay their own school lunches and other expenses." Remember, your children must actually work for the business.

The law increases personal exemptions from $1,080 this year to $1,900 next year and $1,950 in 1988. From 1989 on the figure will be $2,000.

In 1987 the standard deduction will be $2,540 for singles and $3,760 for joint filers. From 1988 on, it will be $3,000 for singles, $5,000 for joint returns.

An additional change, which will work to the benefit of the home-based business owner, is the new expensing provision. Some self-employed people and small companies take an immediate deduction, called expensing, for equipment purchases, instead of depreciating these items. Tax reform doubles the limit on the amount you can expense—to $10,000—in 1987.

PHOTO: DOM FURORE

Marilyn Salmieri, a Westport, Conn., home-based accountant, says that "the profit motive will be more rewarded" under tax reform.

Frank O'Connell, director of national tax services in the Washington office of the accounting firm of Laventhol & Horwath, warns that equipment, such as a computer, must be used exclusively for your business more than 50 percent of the time if you want to take advantage of expensing.

Auerbach says that "you can set up any decent home office for $10,000." But he warns that such a move "might trigger the hobby loss rule"—a provision in the tax code distinguishing a hobby from a business. The new law says you are in a business activity, rather than a hobby, if it is profitable in three out of five consecutive years. "The requirement is tightened up to determine if you're trying to convert a hobby into a tax deduction," Auerbach says. Previously, the test was two out of five years.

Income generated by a hobby is taxable, and losses—unlike those from a business—are not deductible. With an income-producing hobby, expenses must be included in itemized miscellaneous deductions and, under the new law, are deductible only to the extent such miscellaneous deductions exceed 2 percent of adjusted gross income.

Auerbach adds: "If the IRS rules your activity to be a hobby, not a business, you may find that using the expensing provision is not a plus. You may be forced to go back and amend your returns." Samuel P. Starr, tax manager in the Washington office of the accounting firm of Coopers & Lybrand, cautions that the number of years a home-based business reports a profit is one thing "that the IRS examines frequently."

One incentive for employed people to start a part-time home-based business is the fact that extra income would be taxed at lower rates than now. Says Westport, Conn., home-based accountant Marilyn Salmieri: "The profit motive will be more rewarded."

An additional plus in the new law for the self-employed is a temporary 25 percent deduction for their self-paid health insurance—including payments for a spouse and children—as a business expense. This provision starts in 1987 and ends in 1989. The amount is subtracted from gross income to determine adjusted gross income. There are some limitations, however. For example, the deduction is not allowed if the health insurance payments exceed a self-employed person's earned income for the tax year. In addition, the deduction is not permitted if he is eligible to participate in a subsidized accident and health plan offered by an organization that employs him or his spouse either full or part time.

The law provides a mixed blessing for home-based business owners' expense deductions. Though it tightens the deduction rules, it permits disallowed expenses to be carried forward to future years.

Beginning in 1987, deductions for a home office are limited to the amount of gross income the business generates, minus all other business expenses. Previously, deductions were allowed to the extent of gross income before subtracting other expenses. The net effect is that home office deductions cannot be used to create or increase a net loss from the business.

"Still, the carry-forward provision is beneficial for those starting a business," says Salmieri. "Losses that can't be used in the year you incur them can now be carried forward to offset net profit in succeeding years. In the past, they could not be carried forward."

Let's say your home-based business produces gross income of $20,000. Expenses, other than those you can deduct as home office expenses, total $19,000. The home office expenses—which include part of the cost of your mortgage interest, utilities and depreciation on your home—come to $4,000. The amount you can deduct for the office is limited to $1,000 on Schedule C, the tax form for sole proprietors. The remaining mortgage interest can be deducted as an itemized deduction on Schedule A, the standard form for itemized deductions. The unused home office deduction can be carried forward to future years.

On the minus side, starting in 1987 there is a change in the estimated tax that must be paid quarterly to Uncle Sam. Though withholding takes care of most people's tax liability, the self-employed and those with sizable amounts of outside income—interest, dividends, business profits—on which there is no withholding must pay estimated tax. Tax reform boosts from 80 to 90 the percentage of the current year's tax liability that you must make as estimated tax payments to avoid a penalty.

"It means the self-employed will have to pay taxes quicker," Auerbach says.

On autos for business use, the major change is in depreciation. Autos will now be depreciated over a longer time—five years instead of three. In addition, there are new limits on the amount of depreciation you will be able to take in the year you buy the car and in future years.

A tougher alternative minimum tax could mean higher payments for some people. This tax kicks in when someone brings his tax liability below a certain level through heavy use of tax preferences. Under the new law, the minimum tax rate is increased to 21 percent from 20, and more preference items are added to income when calculating the minimum tax.

Tax reform makes changes in the 10-year forward averaging provision which allowed taxpayers who received qualifying lump-sum distributions from a pension or profit-sharing plan to save substantial amounts in taxes. The new law cuts the averaging period to five years and denies the option to taxpayers under 59½. In addition, starting in 1987, it slaps a 10 percent penalty tax on a lump-sum distribution received by employees under age 59½ unless the money is rolled into an IRA.

Not altered by tax reform is the provision allowing taxpayers to defer tax on any profit from the sale of a home as long as another of at least equal value is purchased within two years. Also preserved is the provision that allows people 55 or older to take a one-time, tax-free gain of $125,000 on the sale of a home. Anything above that amount is treated as ordinary income.

Under the new law, interest on first and second mortgages and home-equity lines of credit on first and second homes is deductible only as long as the amount borrowed does not total more than the home's purchase price plus improvement costs. Additional borrowing will be deductible if used for home improvements or for medical or educational expenses.

But consumer interest on credit cards, auto loans and student loans will no longer be deductible at all, after a four-year phaseout. You will be able to write off only 65 percent of interest on such loans in 1987, 40 percent in 1988, 20 percent in 1989 and 10 percent in 1990. Because the individual tax rates are lowered, the value of what remains of the interest deduction is substantially cut. Instead of saving as much as 50 cents of every dollar deducted in interest expense, the new rates provide no more than a 33 cent reduction in taxes.

When it comes to starting a home-based business, however, the pluses mount up. The new law limits deductions for unreimbursed employee business expenses and miscellaneous itemized deductions such as professional dues, tax planning expenses and subscription fees to the extent that they exceed 2 percent of adjusted gross income. But if the taxpayer has a home-based business, business-related dues and subscription fees are deductible as a business expense without restriction.

Says accountant Salmieri: "Unlike some other areas, the home-based business is not being attacked by the new tax law." NB

To order reprints of this article, see page 69.

Planning Your Tax Strategy

The Tax Reform Act of 1986 involves a host of major changes for individual tax filers. Even though the new tax era has nearly begun, there is still enough time to map your planning strategy. Each individual tax situation is different, so it is important to determine the effect of tax reform on your own tax liability. Tax professionals offer a number of recommendations for coping with the new law. Here are some of the most significant ones:

- If you itemize, try to accelerate charitable gifts in 1986, since the tax benefit of such donations will be reduced next year as a result of the lower marginal income tax rates.
- Consider starting your own part-time or full-time home business to take advantage of some of the deductions that will remain after tax reform goes into effect.
- If you plan to buy a car or other big ticket item, do so in 1986, when sales taxes are still deductible.
- Take the maximum individual retirement account contribution for 1986 if you have not already done so.
- Consider selling stock and other assets with long-term gains this year. Tax reform eliminates the special tax treatment for profits on the sale of assets such as stocks and real estate owned over six months. Long-term capital gains will now be taxed as ordinary income. Next year the top rate will be 28 percent, and—depending on amount of income—it could be as high as 33 percent in 1988. If you like your stock choices, some advisers recommend selling anyway, obtaining the special treatment and then rebuying the same shares.
- Try to take as many miscellaneous itemized deductions as possible in 1986. If you don't plan to start a home-based business, renew subscriptions to business-related publications for several years and pay for them this year. If your accountant agrees, pay 1986 charges for his or her services by December 31 to take advantage of the maximum tax deduction.
- Reduce consumer debt, since the after-tax cost of borrowing will increase next year.

High On Balloon Art

By Florence J. Paul

Even in the days before balloon bouquets, Treb Heining was playing around with ways to make balloons more than just a bit of color on a string. There already were weather balloons, balloon-man balloons, around-the-world-in-80-day balloons, even balloons twisted into dachshund shapes. But there was no balloon art. That had to wait for Heining.

A balloon is just a balloon, but when Heining—who is president of Los Angeles-based Balloonart By Treb—arranges hundreds of thousands of them in a meaningful way, he has what he calls balloon art.

Heining had to wait about 17 years from the time he approached his bewildered Disneyland boss with his first ideas to the moment he released a million balloons during Disneyland's Skyfest last December, which was part of the Anaheim, Calif., theme park's 30th birthday celebration. During those years Heining, his family and friends developed innovative ways to use balloons for spectacular decoration.

"After all this time, I have finally reached the point where I don't have to sell people on the *idea* of balloon art," says Heining, 32. "People are more and more recognizing balloons as a viable medium like fireworks and sound effects. Balloons have their own magic."

Heining's relationship with balloons began when he was 15 and working at Disneyland. Since Nat Lewis, who owned the balloon concession at Disneyland, had a minimum age policy of 16 years, Heining had to stretch the truth by a few months in order to make some money blowing up Mickey Mouse-head balloons. In those days, speed was the valued skill. With about 5,000 balloons to fill daily, there was no place for creative notions from Lewis' young part-timer.

"I was blowing up 300 balloons an hour," says Heining. "I would approach Lewis with ideas on how we could decorate the park, and he couldn't envision what I was talking about. So I just kept on blowing up balloons."

As his ideas continued to incubate, his knack for speedy production developed and was put to good use at another part-time job while he was in college. He found a faster way to hand-produce Famous Amos cookies in Los Angeles, and company owner Wally Amos hired him full time as store manager. He later became production manager when Famous Amos developed a wholesale business and produced 3,000 pounds of cookies daily.

Florence J. Paul is a free-lance writer based in Santa Ana, Calif.

Clever balloon designs have brought a spiraling success to Treb Heining, founder of Balloonart By Treb.

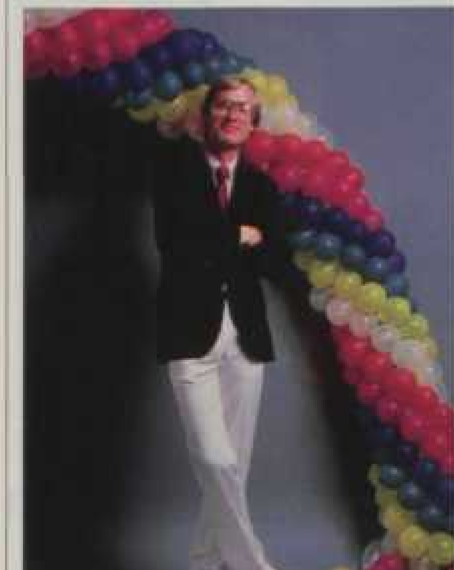


PHOTO: ROEY RIFKIN

Creativity reared its clever head finally at a promotional event at a Famous Amos outlet opening. Heining brought along some balloons for decoration and began blowing them up at a rate of one out of every seven seconds. His nimble fingers caught Amos' eye, and when Heining began arranging the balloons, Amos recognized talent behind the speed.

"He said I should explore the decorating balloon business," Heining says. "In the next few weeks I called several caterers, who didn't know what I was talking about. This was a year or two before the balloon bouquets became a fad, so talking about balloons at that time was very strange.

"A few caterers got interested and called me back. After each party we decorated for the caterers, we would get four or five more calls."

All this activity took place on weekends, because Heining was still working full time for Amos. That soon ended.

"Amos agreed to let me take off a year to try this business," he says. "I'm pretty sure he expected me to come back within a few months, but I never did." In 1977, Balloonart By Treb was born.

Heining himself is not immune to moments of tunnel vision, and his concentration on speed and decoration almost made him miss the simple breakthrough that elevated him from party decorator to spectacle producer. He almost ignored the ideas of his brother, at the time 15 years old, just as Heining was 10 years before at Disneyland.

"We were hurrying to finish decorating for a party when Whitman said he had just discovered a special way of assembling balloons. At that time we were making columns of balloons, and I thought that was pretty special already," says Heining. "I said 'Go away, get back to work, I don't understand what you're talking about,' and turned away. When I looked again, he had put the balloons together to make a column that had a colorful spiral effect. It has since become our trademark." Whitman is still with Balloonart By Treb as production manager.

Heining's big break into the world of extravaganzas came in 1979 when he designed the decor for the premiere party of Steven Spielberg's movie, *1941*. Because it opened at Christmastime, the client wanted a winter scene. Heining decided to create snow clouds out of 30,000 white balloons, twinkle lights and birch boughs.

He soon went back to the simple balloon-on-a-string concept, but what he did with it carried enough emotion to choke up the most hardened football fan. During the Iran hostage crisis, Heining was asked to design balloons for half-time entertainment at a Los Angeles Rams game. He spelled the word "freedom" in 15-foot-high letters made up of balloons and had them marched out onto the field and released.

No one understood his ideas at first, but Treb Heining took every opportunity to demonstrate how balloons could turn a party into a spectacle.

This 50,000-balloon flag, 50 feet by 30 feet, was assembled by seven people for a 1981 visit to Los Angeles by President Reagan.

PHOTO: BALLOONART BY TREB

When Disneyland celebrated its 30th anniversary last year, it staged a release of 1.3 million balloons, requiring eight months of planning, 3,000 volunteers, and 12 hours of final preparation.

PHOTO: BRUCE LEMMER

All his balloons are latex because of the material's durability and ability to carry vibrant color. Latex poses no danger to air traffic; it immediately burns up if caught in plane engines. Heining makes sure that any airports near scheduled releases are notified that the sky will be full of balloons. Although the balloons are harmless, startled pilots could be hazardous.

The helium used to raise the balloons sky high must come in leaded tanks, the most cumbersome part of the balloon business. Small tanks and valves are used at simple parties, but tankers truck in the massive amounts of helium required to set the big spectaculars afloat. The valves and hoses on the trucks are specially installed for Balloonart functions by a Los Angeles firm, Conwin Carbonic.

"They deal in pressurized gases and dry ice and have been at it for 25 years," says Heining. "Al Wing, the man I work with there, knows the pressure ratio. He is a wizard at helping me work out the systems I need.

"Although we blow up the balloons by machine, we hand tie every single one," says Heining. "I would say 90 percent of the country doesn't know how to tie a balloon. That's probably the primary reason we're in business. An average member of my crew can turn out about 1,000 balloons an hour."

As reliable as latex may be, Heining did not correctly factor in its expandability when he was planning a balloon release for the opening ceremony at the 1984 Summer Olympics in Los Angeles. He had designed the five Olympic interlocking rings of specially made latex bladders with hand-sewn gold foil coverings. The balloons cost $110 apiece—almost 500 were needed to make the design large enough to fill the playing field. For some unknown reason, nine months of testing for all possible weather conditions did not prepare Heining for a near disaster.

"After inflating the balloons from 3 a.m. to 9 a.m., the crew relaxed on a break," he says. "I was walking through the balloons on the field and noticed that the latex bladders were expanding and ripping the gold foil. I immediately got on the walkie-talkie, the crew ran back from the break, and we quickly got the balloons into a tunnel out of the sun."

Because the balloons were supposed to be already out on the field when the volunteer dancers appeared for the event, the choreography had to be adjusted slightly to accommodate the new march of balloons. The world watching the spectacle had no idea that thousands of dollars, and the opening ceremony, had almost popped in the sun.

Between spectacular events, Heining fills in the rest of the time with celebrations on a smaller scale. He still decorates parties and builds huge birthday cakes out of 50,000 balloons. He helped the United Way kick off its fund-raising drive in Cleveland with a release of 2.3 million balloons.

Now—coming full circle—Balloonart by Treb is bidding for Disneyland's balloon concession. "My only regret is that Nat Lewis died before seeing what I did with the experience he gave me," Heining says. "I hope he is enjoying it somewhere." ■

MANAGING YOUR BUSINESS

Girth Of A Nation

By Alison Thresher

At 186 pounds Sybil Ferguson suffered the dieting frustrations of many Americans. A housewife in Rexburg, Idaho, with five children, Ferguson says that she was always dieting, always hungry, always overweight. She was shocked into action when necessary surgery had to be postponed because tests showed she was seriously malnourished.

With her doctor's help, she devised a sound diet that not only nourished her but also helped her build good eating habits. She dropped more than 50 pounds.

The story does not end there. Friends and others referred to Ferguson by her doctor asked her for help with their own weight problems. Recognizing the business potential in helping others achieve their weight goals, she opened her first Diet Center in 1969. In 1973 she sold her first franchise.

Today her franchises, which sell for \$12,000 or \$24,000 depending on the area's population count, total well over 2,000. The once-frumpy housewife who never dreamed of starting a business flies around the country in a private plane visiting thousands of Diet Center counselors who have helped 2.5 million Americans lose weight the Sybil Ferguson way. Diet Center's gross revenues were \$36.1 million for the fiscal year ending last March.

Ferguson says that one of Diet Center's strengths is that all the counselors are formerly overweight and went through the program. In fact, the franchisees themselves must be former Diet Center clients.

"Unless you have experienced the heartache of being overweight, you can't really understand what it means to the client to be fat," she says. "There is no way some skinny model is going to tell me how to lose weight."

Americans are on a losing streak, and entrepreneurs are gaining from their losses. A telephone survey completed this summer by the Calorie Control Council in Atlanta, Ga., revealed that 65 million Americans are dieting: 35 million diet to lose weight, 21 million to maintain weight, and the rest put themselves in the category "other reasons."

Alison Thresher is a free-lance writer based in Baltimore.

Sybil Ferguson, founder of Rexburg, Idaho-based Diet Center, made her fortune from weight loss.

PHOTO: PAUL PECK

The President's Council on Physical Fitness and Sports calculates that the total spent on diet and fitness in 1984 was about \$31 billion, according to Program Development Director York Onnen. And a healthy portion of that amount went to wage the national war against fat.

About \$6 billion went for diet drinks, \$5 billion for health foods and vitamins, and \$200 million for over-the-counter diet capsules and aids such as liquid protein.

Consumers in America have a new awareness of nutrition and fitness needs. Increased education about degenerative disease and the long-term health effects of an overweight, deskbound lifestyle helped create the running boom, the aerobic dancing craze, and the diet and natural foods market.

"Our sedentary lifestyle breeds a population suffering from heart disease and stroke," says Glen Henson, founder of Fitness Systems, Inc., of Independence, Mo. "Both of these conditions are directly related to the way we eat and to lack of proper exercise." Henson, whose company manufactures a miniature gym used on two of the National Aeronautics and Space Administration's Skylab flights, runs five miles a day. He is 60.

Many diet and fitness companies seem to have started almost by accident or through experimentation, as ordinary consumers struggled to control their girth. Ferguson's early experiences are a case in point.

Jean Nidetch was another heavyweight who lost her fat and gained a fortune by launching a business. She and businessman Arthur Lippert founded Weight Watchers, Inc., which later became Weight Watchers International, Inc.

In 1968 Weight Watchers became a publicly held corporation, and in 1978 it became a wholly owned subsidiary of H.J. Heinz. However, Lippert's family and Nidetch still own a majority of the shares of Weight Watchers International, which is headquartered in Jericho, N.Y. To date over 25 million people have participated in Weight Watchers activities. Receipts from Weight Watchers weekly meetings, where members pay about \$7 to have their weight recorded and hear advice on adhering to prescribed menus, topped \$189 million in 1985.

"Attendance," says President and Chief Executive Officer Charles M. Berger, "is now at an all-time high and has nearly doubled since 1983." That, he says, is primarily a result of modifications made in the standard diet to introduce the Quick Start program, an accelerated regimen. The new diet also emphasizes exercise.

Two other Heinz subsidiaries, Foodways National and Heinz USA, make Weight Watchers foods, which compete fiercely for shelf space in stores with other reduced calorie foods. Sales of frozen diet foods jumped 15 percent last year, marketing analysts say.

One of Weight Watchers' many competitors—in food products as well as in weight control advice—is Diet Work-

Entrepreneurs find profit in America's struggles to cut its weight problems down to size.

shop, based in Brookline, Mass. In addition to more traditional programs that its 45 franchises offer, a workplace program takes diet support groups to the corporate setting. Government agencies and companies such as Bloomingdale's, General Electric, Polaroid and Arthur D. Little contract with Diet Workshop to offer diet classes as an employee benefit. Diet Workshop's gross revenues are about $10 million.

"Companies use incentives," says Laura Warren, executive assistant to company founder Lois Lindauer, whose entrepreneurial story mirrors Nidetch's and Ferguson's. "We can fit into the employee benefit package."

Although Arthur D. Little has not built the Diet Workshop into its employee benefit package, the Cambridge, Mass.-based management consulting and research firm does donate a conference room for the workshop's weekly lunch-hour meetings. The dieting group signs up an average of 33 employees at a time for six- to eight-week sessions. This allows the employees to pay the bulk rate, as opposed to individual fees—a saving of about $30 each over the course of an eight-week program.

The volunteer program coordinator, Jean Vitiello, an accounting clerk, lost 48 pounds through the Diet Workshop and likes the idea of a company-supported dieting program. "Most of us feel better about ourselves when we are accomplishing something," she says.

Diet Workshop, like many other plans including Weight Watchers and Diet Center, sells dinners, snack foods and other "dietary aids."

Says Warren: "Products have become very important. People just don't have the time or inclination to prepare healthy meals."

A major diet food competitor, Lean Cuisine, was introduced in 1981 by Stouffer's Foods, of Solon, Ohio, and realized $120 million in sales that year. The growth of Lean Cuisine to a line of 18 frozen entrees, in addition to the broadening of the market to include "lite" frozen foods by Armour, Mrs. Paul's and others, is not surprising considering the popularity of microwave ovens.

George M. Sebsow recognized opportunities in doing business against the bulge. He co-owns restaurants in Dallas, Houston and Washington that offer meals to office workers who are counting calories.

PHOTO: T. MICHAEL KEZA

Knowing good opportunities when they see them, some diet entrepreneurs are combining different ways of selling the slender life to Americans. George M. Sebsow, who lost 30 pounds with Diet Center, is the owner of its only franchise in Washington and plans to open four more in the city. Not content to stop there, he has become a partner in Delta Food Service Company of America, which caters to calorie counters at its four La Prima restaurants in Washington, four in Houston and one in Dallas.

La Prima, which grosses about $6 million annually, offers sandwiches, soups, garlic breadsticks and pasta dishes with a gourmet Italian touch. Sebsow goes a step further, however, by offering tempting salads such as chicken nicoise, curry chicken, a seafood dish called "mista del mar" and an antipasto concoction with artichoke hearts, salami, mozzarella and ham. Each salad comes with its calories already counted.

Sebsow is betting that the dieting office worker who has the choice of a Greek salad of undetermined calories around the corner or a 224-calorie seafood salad at a La Prima three blocks away will opt for the known quantity. Empty La Prima salad bins at 1:15 p.m.—long before the lunch rush is over—testify that he is right.

"If I didn't have La Prima and the Diet Center, I'd still go into the diet business," he says. "The fast food business is a very large industry, with few competitors offering light foods. There's a lot of room in it for growth. So, taking away my own interest in health, going into it still boils down to a good business strategy." NB

MANAGING YOUR BUSINESS

South Korea's Growing Clout

By Christopher Maeng

South Korea's automobile industry is expanding rapidly as a result of ambitious export plans. The successful entry of the Hyundai Corporation's Excel model into the U.S. market is considered a major breakthrough for achievement of the country's goals in auto exports.

PHOTO: KIM NEWTON—WOODFIN CAMP

Smaller businesses in the United States are becoming increasingly familiar with some brand names almost unknown here until just recently: Goldstar, Samsung, Leading Edge, Hyundai.

They are on a wide range of products from the Republic of Korea, and a growing number of small and midsized American businesses import, wholesale and retail those items or are competitors of the firms that do.

Goldstar and Samsung are fighting hard for a share of the consumer electronics market with aggressive campaigns to sell television sets, videocassette recorders and microwave ovens, among other products. The Leading Edge computer from Daewoo Telecom has been a hit in the American computer market.

Hyundai Motor Company entered the American auto market this year with a goal of selling 100,000 of its subcompact cars, offered at less than \$5,000. By September it had sold 143,239, and it expects to ship 200,000 to this country next year.

In addition, American businesses sell billions of dollars in electronics, footwear, textiles and other products manufactured in South Korea for sale under U.S. brand names.

The extent to which the South Korean presence in the American economy has grown is one of the more important manifestations of an economic boom that has produced praise for the hard work and determination of South Korea's people but has also triggered controversy with some of its trading partners.

The dimensions of the boom are vast. In 1965, South Korea's total foreign trade amounted to \$638 million, about three quarters of that representing imports. Imports and exports came into balance at approximately \$30 billion each in 1984-85, but South Korea is anticipating a \$2.5 billion trade surplus this year. The surplus is expected to be close to \$5 billion in 1991.

At home, the government has announced the latest in a series of five-year plans. This anticipates average real economic growth of 7.2 percent a year between 1987 and 1992 and a 73 percent increase in per capita income to \$3,800.

A major reason for the current economic boom and the prospect of even better times ahead is a combination of what South Korean business people call "the three lows"—the low U.S. dollar, low oil prices and low interest rates. The combination has produced a double-digit increase in Korean exports.

The significantly appreciated Japanese yen has also been a major stimulus to Korean trade. Korea's currency, the won, is tied to a basket of international currencies strongly influenced by the U.S. dollar, which has fallen dramatically against the yen. The result is that Korea's exports, like America's, are cheaper in the international marketplace against yen-denominated products.

To keep up with its increasing trade volume, the country plans to build on its west coast a port that will have double the cargo-handling capacity of the present major facility at Inchon. By 2011, the new port will be able to handle 40 million tons of cargo a year.

Cargo shipped to the United States from that port will include an increasingly larger number of automobiles. In addition to exports of the Hyundai Excel, Daewoo will be shipping 100,000 autos annually over the next several years for sale by General Motors Corporation as the Pontiac LeMans. Kia Motor Company, in a joint venture with Ford, is also preparing to enter the U.S. auto market.

"The manufacture of motor vehicles and automotive parts is certainly emerging as one of the most important industries in Korea," says Kim Woo Choong, chairman of Daewoo.

But Korea is also aware of the potential problems posed by the shift from deficit to surplus in its trade with the United States. Sales to the United States will exceed imports from it by nearly \$7 billion this year. Continuing American complaints of Korean restrictions on imports are a matter of concern.

For one thing, the United States is pressing for Korean action to strengthen the won against the dollar, which would make Korean products more expensive in the United States and American products less expensive in Korea. The U.S. demand is unreasonable, Korean officials reply, because their country is a debtor nation that needs to earn money abroad to pay back loans. Its external debt, now \$47.5 billion, is expected to peak at \$48.2 billion in 1988 but still be relatively high—about \$46 billion—in 1991.

Christopher Maeng is a Seoul-based journalist specializing in economic issues.

The Koreans are having great success in American markets, but success is having its price in pressures from this country.

Korean officials are also concerned about their country's growing trade deficit with Japan, which reached $3.85 billion in the first eight months of this year. Imports from Japan, 24.3 percent of South Korea's imports last year, increased to 31.2 percent in the first half of this year. In the latter period, 55 percent of all licenses issued by the Korean government for import of foreign technology went to Japanese companies.

Most of the technology bought from Japan is in machine and electronics manufacturing. Although South Korea is now relying on outside technological help, it hopes to become self-sufficient in technology. Korean economists say that, within the next 15 years, their country will invest about $63 billion in development of its electronics, semiconductor, biotechnology and optics industries.

While accelerating efforts to develop substitutes for Japanese products, Korean officials say they want more links with American and European companies as suppliers or partners.

Says Kim Suk Won, chairman of Ssangyong, another of the nation's major industrial companies: "If America can supply the machinery and equipment we need at competitive prices, it will be of mutual benefit."

Daewoo Chairman Kim Woo Choong says: "Korean and American industry are at two different levels. We can complement each other. For example, American firms can provide designs and marketing know-how, and Korean companies can make the hardware." Under just such an arrangement, Samsung and Daewoo are supplying aircraft parts to Northrop and Boeing.

At the same time, Korea is sensitive to what is sometimes perceived as undue pressure from the United States. Kim Mahn Je, deputy prime minister and minister for economic planning, points out recent actions in which his country agreed to strengthen protection for U.S. patents, copyrights and trademarks, to make its insurance market more open and to ease import restrictions on American cigarettes.

"These steps by the Korean government were carried out in the face of severe constraints and strong domestic opposition," the deputy prime minister says. Ssangyong Chairman Kim Suk Won says: "Frankly speaking, we are anxious about the fast import liberalization, which may cause difficulties for some businesses in Korea."

Electronics and shipbuilding are two of the key areas responsible for Korea's fast-rising stature in world trade.

PHOTO: DAEWOO ELECTRONICS COMPANY LTD.

PHOTO: KIM NEWTON—WOODFIN CAMP

But the United States holds that Korean restrictions on imports remain excessive and must be eased. Americans point out that, between 1981 and 1985, the value of U.S. exports to Korea edged up from $5.5 billion to $5.7 billion, while Korean exports to America soared from $5.5 billion to $10.7 billion.

In response, the Korean traders say the advantage they now enjoy in their dealings with the United States will soon begin easing through import liberalization and other policies. In any event, they are not entirely apologetic about the surplus they are now running. That surplus, says Kim Woo Choong of Daewoo, "is relatively recent." He recalls that Korea ran "big trade deficits with the United States for many years," and he argues that "one should look at the net effect. The value of Korea's recent surplus with the United States is exceeded by the amount of money we send to the United States to cover interest or principal on our loans from American banks."

On the other side, U.S. trade officials warn that, unless Korean restrictions on American imports are eased further, there could be an intensification of the protectionist trend that has developed in Congress in recent years.

For Korea, the controversy itself can be viewed as a sign of progress. The Korean Economic Institute, a government agency charged with fostering good U.S.-Korean trade relations, says the frictions can be perceived as "a sign of success—the more trade, the more potential sources of conflict."

Whatever the resolution of those frictions, recent years have made it obvious that Korean products will continue to become increasingly familiar in American markets. Businesses selling those products—or competing with those who sell them—will face still another challenge from another hardworking, determined Asian country with a strong national purpose to succeed as a world trader. NB

MANAGING YOUR BUSINESS

The Bite Of COBRA

Employers feel threatened by a law that requires them to carry former employees on company health plans.

By Joan C. Szabo

Employers are wary of the bite of company health plan requirements in COBRA—the Consolidated Omnibus Budget Reconciliation Act of 1985, which was signed into law April 7.

"COBRA is one of the most dangerous intrusions on small business—I view it with considerable alarm," says Jerry Bartos, owner and president of Bartos, Inc., a small Dallas-based manufacturer of ventilation systems. That is because the law "makes a business person responsible for someone who is no longer in his or her employ," Bartos says.

Under COBRA, businesses with more than 20 employees that offer health insurance must continue coverage at group rates for up to 18 months for employees who retire, quit, switch from full-time to part-time status or are laid off. Those insured must pay the full cost of their insurance plus a 2 percent surcharge to cover administrative expenses.

Companies are required to continue coverage for three years, at the 102 percent rate, for an employee's spouse and dependents if the employee dies or becomes entitled to Medicare. The requirement also applies in event of a legal separation or divorce. On top of that, an employer must offer to provide the same three years' continued coverage to a dependent who reaches the maximum age for dependent coverage.

Continued coverage must be the same as that offered to "similarly situated" beneficiaries—individuals still employed by the company. Those eligible have at least 60 days to decide if they want it.

COBRA takes a deep gouge out of employers who fail to meet its requirements. The penalty is loss of a company's entire tax deduction for contributions made to all health plans.

Employee benefit consultants say the complexity of COBRA's health coverage provision has sparked a rash of questions from employers. "We have been flooded with inquiries on how to comply," says Peter Panken, a senior member of Parker, Chapin, Flattau & Klimpl, a New York and Washington law firm with a large practice representing management in labor relations.

Dennis M. Corry, manager of benefit

ILLUSTRATION: WANGDON LEE—EUCALYPTUS TREE STUDIO

plans for the Quaker Oats Company, says that "COBRA is ill-defined, lacking both clarification and guidelines."

Many companies view the law's paper work requirements as an administrative nightmare. Under COBRA, employers must give written notice to each eligible employee and spouse of their right to continued health coverage. Written notice is also required when an employee or beneficiary becomes eligible for the continued coverage. The Labor Department has a model notice to help firms comply with the notification requirements.

Another major worry for employers is COBRA's potential cost. In addition to their expenses in processing the program, there is a possibility of higher health benefit premiums. Regulations are needed to explain how the cost of health insurance should be calculated, says Hewitt Associates, an employee benefit consulting firm in Lincolnshire, Ill.

"The 102 percent rate that companies are permitted to charge is not likely to cover the actual claim costs of people who decide to take coverage," says Peter J. Hutchings, who advises companies on their health benefits for Kwasha Lipton, an employee benefit consulting firm in Fort Lee, N.J. "The 102 percent is based on the average employee, but people who decide to continue coverage are more likely to anticipate needing medical care."

Quaker Oats' Corry says he "would not be surprised if the true cost of coverage is more than five times the premiums paid."

Employers may react to the possibility of higher rates by finding additional ways to trim health care expenses, such as asking employees to pick up more of the cost of insurance, experts say. Another cost-cutting step may include instituting a waiting period before health coverage kicks in for new employees, says consultant Linda Havlin of Hewitt Associates.

Dallas manufacturer Bartos says he has decided to drop all dependent coverage because of COBRA.

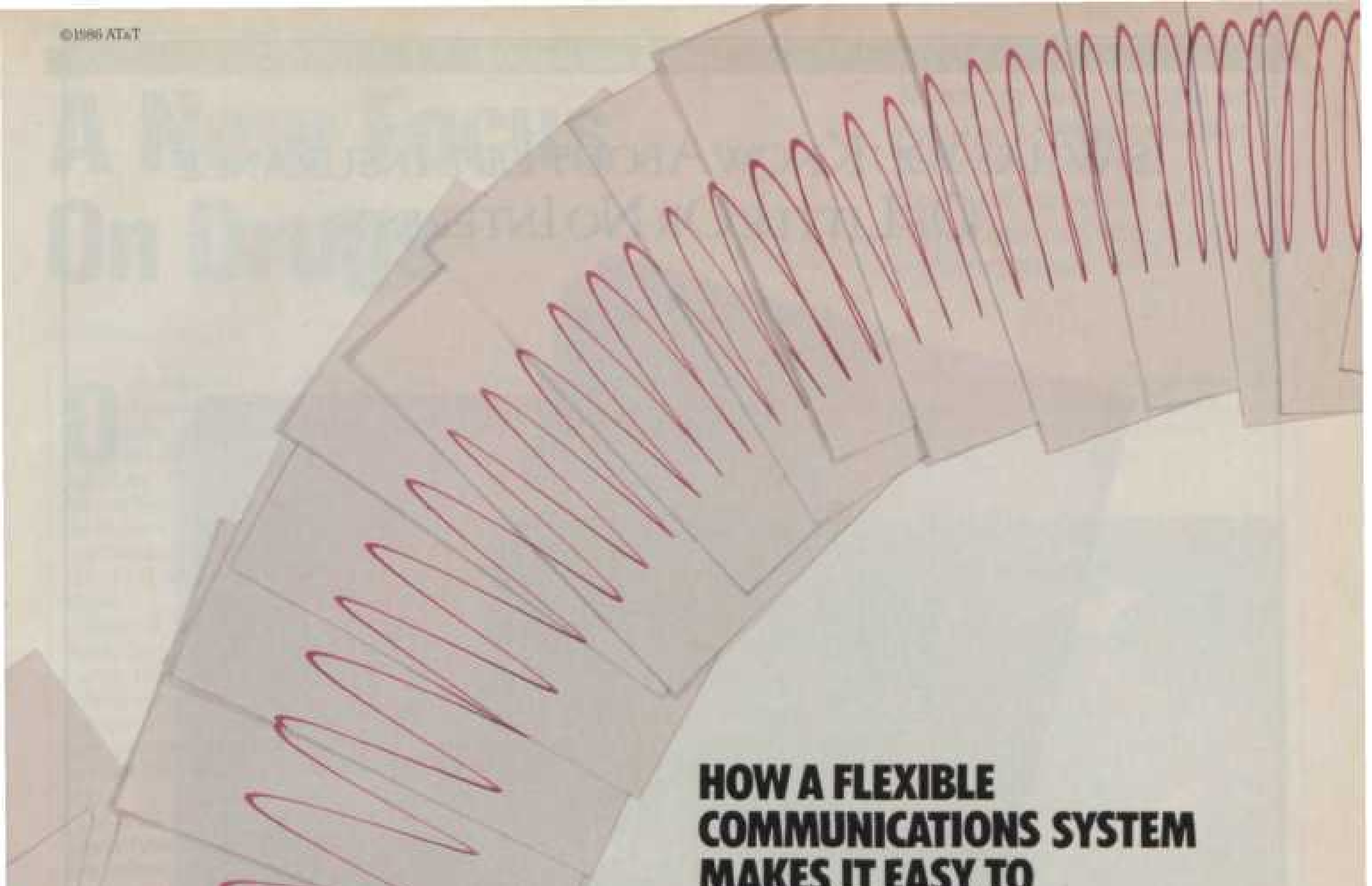
Though business views the law with trepidation, no one knows for sure how much COBRA will be used. "It remains to be seen how many people will take advantage of extended health benefits," Hutchings says. "In many cases, employees leaving one company will pick up coverage from their next employer or spouse's employer, which will almost always be less expensive for the former employee."

Meanwhile, companies are awaiting clarifying regulations from the Labor Department and the Internal Revenue Service to provide more guidance on COBRA. Until those rules are issued, employers are required to show good faith in complying with the law.

As they gear up to live with COBRA, a number of business people fear it is a harbinger of more federal regulation in the employee benefits area. One much-discussed bill in Congress that worries them would require most employers to offer up to 18 weeks of unpaid parental leave.

Another bill would require continued health coverage for former employees and their families for up to four months. More costly than COBRA, this proposal would require an employer to pay the same portion of the premiums paid before termination.

Many companies, says Hewitt's Havlin, see COBRA "as the beginning of a whole new wave of federally enacted social policies instituted by government through the employer." **NB**



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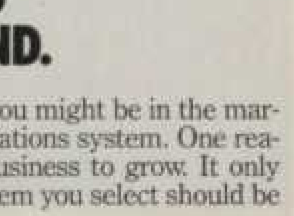

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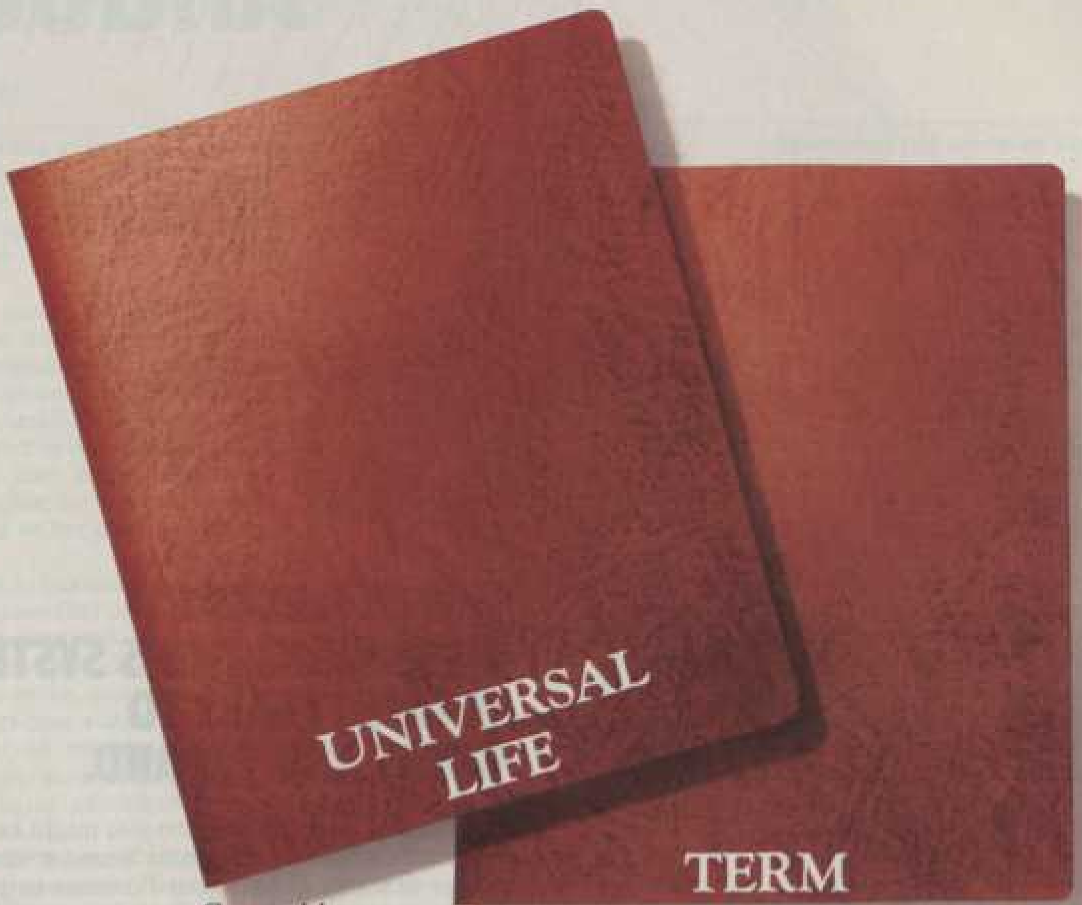

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New ways of looking at life

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A New Focus On Drugs

Winning the struggle will require attention to the law of supply and demand as well as to techniques of law enforcement.

By William Hoffer

"Our business is booming," says Stephen R. Good. "I can't attribute it all to the increased interest in eradicating drug and alcohol abuse from the workplace, because fear of terrorism also plays a role. But there is no doubt that the primary security concern of businesses these days is the problem of alcohol and drug abuse."

Good is a vice president of Guardsmark, Inc., a Memphis-based private security firm with 73 offices and 7,000 employees nationwide. His firm's good fortune is one outgrowth of the recent blitz of information on—and the battle against—drug abuse in American society.

As 1986 nears its end, the battle is intensifying on all fronts, including the workplace. But ironically, there is increasing realization that the ultimate outcome is uncertain. The uncertainty begins with efforts to curtail supplies of illegal drugs.

The Drug Enforcement Administration seizes a lot of drugs. But it estimates it gets only about 10 percent of what traffickers haul.

"Between January and July, 376,000 metric tons of marijuana were seized on ships on the high seas," reports Thomas Cash, a high DEA official, "and 1,000 pounds of pure cocaine are seized weekly. I keep seeing the seizure figures going up. But a little voice in my head keeps saying that, somewhere out there, a lot of someones are planning to consume all these drugs."

Says Arthur P. Brill, Jr., a staff member of the President's Commission on Organized Crime: "If the demand is there, organized crime will supply it. I'm not just talking about the Mafia—there are a lot of ethnic gangs and prison gangs and motorcycle gangs, and all of them make most of their money from drugs. Beef up efforts to curtail the supply, if you will, but we're not going to wipe out drugs until people stop using them."

A report by the commission early this year called for a dramatic change in emphasis—a drive against demand for drugs. Included in the report was a brief recommendation for "suitable" drug testing of workers. "I would go a step beyond that and say *mandatory*," Brill says. "This is not a rights issue, because drugs are illegal. There is no legal right to take them."

Two employers who have been notably active in the war on drugs are Philips Industries Chairman Jesse Philips, shown (top) discussing the company's antidrug campaign with workers in a Dayton warehouse, and (bottom) Jean Hails, president of an Atlanta construction company.

PHOTO: MARY ANN CARTER

PHOTO: MANNY RUBIO

The report kindled a smoldering controversy that burst into full flame following the cocaine overdose death of University of Maryland basketball star Len Bias, a day after the Boston Celtics named him their first choice in the National Basketball Association draft.

That tragedy focused congressional attention on tough antidrug proposals. With the added impetus of an impending election, Congress moved quickly. On the final day of its 1986 session, it passed the Anti-Drug Abuse Act of 1986, authorizing $1.7 billion for an expanded effort against drug traffickers.

Much of the money will go for manpower and equipment to aid DEA, the Coast Guard and the Customs Service in their efforts to diminish supply. Agents, for example, will now be able to put into place seven radar balloons to scan the U.S.-Mexican border, looking for slow-moving, low-flying aircraft that are likely to be carrying contraband drugs.

Rep. Charles B. Rangel (D-N.Y.), chairman of the House Select Commit-

The Miami operations center of the U.S. Customs Service employs high technology against the drug traffic in South Florida. The radar screens show the location of vessels, some no longer than 20 feet, that have been detected off the coast.

PHOTO STEVE STARR—PICTURE GROUP

tee on Narcotics Abuse and Control, says some of the bill's most significant provisions are grants to state and local governments, including $230 million for aid to their narcotics law enforcement in fiscal 1987, $200 million for drug education and prevention, and $241 million for drug abuse treatment.

The latter two provisions are indicative of the new emphasis on decreasing demand. This was also the intent of President and Mrs. Reagan's September 14 nationwide television appeal to "just say no" to drugs, and it is the cornerstone of the business role.

Employers hold within their grasp the most powerful impetus to deter the drug user—the job. "Our message is simple," says U.S. Chamber of Commerce President Richard L. Lesher. "If you do drugs, you don't work."

The Chamber has been waging an antidrug campaign since 1980. After the Reagans' TV appeal, Lesher renewed his call on business to "shoulder a major share of the responsibility" for fighting substance abuse. "This is not a role that business people seek or enjoy, but it is ours whether we like it or not," he said. "We have no alternative but to commit ourselves to this cause and to see it through."

Says Jan Peter Ozga, director of the Chamber's Clearinghouse on Business Coalitions for Health Action: "In the final analysis, to achieve success we must eliminate the demand. We must get the message out that 'drugs don't work in the workplace.'"

Ozga's office is preparing materials detailing how employers can prevent drug abuse and identify and treat abusers. The materials will be made available to every employer in the country.

Meanwhile, Chamber officials are getting ready for a major battle in the new Congress against expected proposals to ban testing of employees for drugs.

Indeed, drug testing seems destined to become the most controversial issue in the war on drugs. In September both General Electric and Eastman Kodak announced plans to begin pre-employment drug screening, joining a host of major firms that test for drug use in one or more ways—testing job applicants, testing employees at random or testing employees suspected of being drug users.

Organized labor is unhappy with that trend. "Drug testing is offensive," says John Zalusky, an economist in the AFL-CIO's Economic Research Department. "It tends to presume somebody is guilty before something goes on."

Serious questions have been raised about the veracity of drug test results, but Dr. Michael Walsh, chief of the Clinical and Behavioral Pharmacology Branch of the National Institute on Drug Abuse, reports that industry and government will soon take a giant step toward resolving the issue. Walsh notes that federal regulatory agencies and private standards organizations are developing standards for the certification of drug testing laboratories. Labs will be inspected, and personnel and procedures will be examined.

Once the standards are issued, federal agencies and private contractors doing federal work will be required to patronize certified labs for any drug testing they do. The government will also urge private businesses to use certified labs. "We expect the number of companies with drug abuse policies and programs to increase exponentially within the next year," says Walsh.

Often, employers fear legal complications from taking action against workplace drug abuse. But they have considerable legal leeway in dealing with drug users, says Neil Frank, a partner in the Melville, N.Y., law firm of Kaufman, Frank, Schneider & Rosensweig, which specializes in employee matters.

"The real problem is not legal, it's practical," says Frank. "How do you keep employees at work, keep them from cutting off their fingers, keep them from selling drugs on the job?"

Frank frowns at the option of simply firing a known drug user, because that passes the problem on to the next employer. He advises an educational program to explain why and how a company is establishing an antidrug policy, followed by an in-house or contracted employee assistance program. Only after that, he says, should the employer consider launching a drug testing program.

"Everybody seems concerned about how many lawsuits might arise from drug testing," Frank says, "but the real issue is what are you going to do with the drug user once you identify

Surveillance equipment designed for the battlefield enables U.S. government agents to obtain photographic evidence of illegal drug transactions (left). Other agents, manning high-powered pursuit craft, are assigned to intercept suppliers who use small boats to transfer drugs from ships at sea to landing points along the shore.

PHOTO: DRUG ENFORCEMENT ADMINISTRATION

PHOTO: STEVE STARR—PICTURE GROUP

him. I think you need to do what human rights laws require you to do for the alcoholic—make a reasonable effort to rehabilitate him."

Many an employer, however, frets over the idea of making employees submit to drug tests. Says Jean Hails, president of Hails Construction Company, a $20 million-a-year Atlanta firm: "I don't believe in mandatory anything."

The construction industry, because of its critical concern for the safety of both workers and bystanders, has moved to the vanguard of the drug abuse fight, and many businesses are benefiting. Contractors who have implemented effective programs have seen costs of workers' compensation, theft, accidents, absenteeism and health insurance drop as much as 25 percent.

What is more, the construction industry, diverse as it is, has shown that programs can work as easily for small and medium-sized companies as for corporate giants. Firms with as few as eight employees have successful programs.

Says Hails: "Drugs are a big problem in the construction industry. We had workers in my own company being fired for using drugs on the job. Some people would have swept the problem under the rug. I felt we needed to address it."

Address it she did. Working through her trade association, Associated Builders & Contractors (she is current national president), Hails spearheaded an ambitious effort to educate business people on dealing with the drug problem.

She realized that most employers—especially those running small businesses—were simply overwhelmed by the dire warnings. They needed expert advice.

ABC hired Bruce Wilkinson, president of Workplace Consultants, a New Orleans-based consulting firm that advises companies on ways to cut losses from employee theft and health hazards. Wilkinson represents the association in seminars for business groups around the country, teaching employers how to set up an antidrug program.

"Whenever Bruce is in a city presenting a seminar, he speaks to students at local schools also," Hails says. "He explains to them that more and more business owners are attacking drug abuse on the job. He tells them, 'If you want a job, you've got to stay drug-free.'"

Jesse Philips, founder and board chairman of Philips Industries, a Dayton-based manufacturer of building components, has also been spurred into action.

Philips says he "naively" assumed that the drug problem was "confined to a few large plants" at other companies. However, he says, when he learned that the first five qualified applicants for a maintenance mechanic job at his company were rejected because they did not pass a drug test and that some supervisors had been openly selling drugs to subordinates, he became "convinced that a problem exists in most of the workplaces in our country."

Philips took two dramatic steps on September 11. First, he announced a program to obliterate drug abuse in all of his 7,500-employee company's workplaces. The program includes prehiring drug tests, tests of current employees when deemed necessary and rehabilitation of chronic drug abusers.

"Management is not on a witch-hunt to rid itself of employees," Philips says. "It needs its workers." But it needs to give those workers a safe environment, he says, and keeping drugs out of the workplace is a safety essential.

His second step was to send President Reagan a telegram—to which the President's preliminary reaction was favorable—suggesting formation of a National Alliance of Business Against Drug Abuse. Philips pledged $1 million of his company's money to help establish the group, which he said could promote workplace antidrug programs.

Both steps were the type of action Atty. Gen. Edwin Meese was speaking of when he appeared before the Association Insiders, a group of trade and professional association executives, at U.S. Chamber of Commerce headquarters a few weeks later.

The administration has been active against drugs for years, Meese told his listeners, and it is up to them and others like them to "carry the ball even further—it really rests with the business community." NB

To order reprints of this article, see page 69.

Drug Abuse In The Family Business

By David Bork

Drug abuse in any business is destructive and complicated, but in a family business, it is even more devastating. Alcohol and other drugs can be a family's biggest competitor for profits and business longevity. And the problem is compounded because of the close personal relationships and the perceived stigma of admitting a problem within the family's ranks.

The Beser family owned a chain of specialty retail shops. Richard Beser resented his "take-charge" brother, Edward, and retaliated by becoming drunk at all family functions. When Edward was chosen as the father's successor in the business, it was the final blow to Richard's ego, and he moved his family to another state. His father, depressed about the break in the family, had a stroke.

The family members blamed Richard and cut off communication with him. Further, he was denied revenues from the company, both by his father's will and by his brother. Soon after, Richard died in an auto accident, but his wife and other family members were never certain he had not committed suicide.

Charles Harwood indulged in both alcohol and marijuana as a college student. When he joined his father's manufacturing firm, his drinking problem became increasingly severe.

But Harwood's father ignored the obvious symptoms and never referred to them. Louis Harwood had always used alcohol as a relaxant and as a business-social tool. He had many three-martini lunches and sometimes imbibed heavily after hours. If he occasionally took a day off to "rest," no one regarded it as a recuperative period from anything except overwork.

The names and businesses here are fictitious, but they are based on cases that are very real. As the Harwood case suggests, addictive behavior, no matter the substance, is often embedded in the family. It is rare for substance abuse to appear in only one member of a family.

Excerpted from Family Business, Risky Business, *published by AMACOM, division of the American Management Association, 135 W. 50th Street, New York, N.Y. 10020.*

Often family members tend unwittingly to keep an addicted family member in a dependent position, to infantilize him, to see him as weak and to encourage him to escape frustrations rather than overcome them. In this way, families act in collusion to perpetuate substance use. This collusion may take the form of only token concern with alcoholism or even active support of the drinking behavior.

As damaging as the addiction problem may be, recovery may present a threat to other family members, friends and associates. Focus must be placed on the entire social system that supports and derives rewards from the addictive behavior. Treatment is often based on "unlearning" destructive behavior and altering patterns that reinforce the addiction. Within the family, such change involves major shifts in power allocation and reward systems and demands new forms of communication.

Addictive behavior, no matter the substance, is often embedded in the family. It is rare for substance abuse to appear in only one member of a family or in one generation.

The recovering "problem carrier" may want to reoccupy the powerful, influential roles that are now occupied by others. If Richard Beser had not been an alcoholic, he might have been a serious contender for the succession—and thus a threat to his brother's position.

Had Louis Harwood admitted his son's drinking problem, he would have had to examine his own drinking patterns. Thus, others in a family may even encourage the addiction in order to ensure the status quo.

Some families are able to face what must be done, however.

Foster Ellison, his wife and two other partners ran a rapidly expanding telecommunications business. Ellison's college reputation as a heavy, but not problem, drinker followed him into business, where major sales agreements were negotiated in the warmth of good restaurants and mellow wines. Long periods of work and growing conflicts among the partners resulted in a serious attack of hypertension for Ellison.

His wife dealt with the disability by increasing his life insurance—not by insisting that he alter his lifestyle. Startled by this pragmatic attitude, Ellison sought medical advice, which included a rigid diet, shorter work hours, and an end to both smoking and drinking.

Three brothers—Johnny, Pat and Sam Moser—continued the "booze and build" tradition of their hard-drinking father and grandfather when they joined the family construction business. They added two new substances, cocaine and marijuana. When Pat began to make major, costly mistakes, Johnny and Sam discovered he had a drug problem that siphoned off more than they "allowed" for drug and alcohol use.

One day Johnny was almost killed in a job-related accident. He was hospitalized for several months, which forcibly dried him out and gave him a long time to think. He resolved to stop drinking, and his decision to stop led Pat and Sam to do the same.

The one thing that kept the brothers on their new path was the support they gave each other. None wanted to see the other two fail. All went into treatment, and they encouraged employees with addiction problems to do so, even paying for their treatment when necessary.

Several years later, the Moser business was not only clean of abusive substances but headed toward its highest profits ever.

Families need to support those who seek to untangle themselves from addictive behavior. In the end, a family in business needs to ask itself if what it has built is in danger of being destroyed by substance abuse. NB

LESSONS OF LEADERSHIP

The Lives Of Riley

For entrepreneurs like this Arkansas businessman, the challenges don't stop when success comes; they just get bigger.

By Michael Barrier

About three years ago, Pat M. Riley and his wife, Martha, sat down to decide whether he should put his company—and their future—on the line.

Riley's, Inc., was operating two highly successful nursing homes in the Little Rock area. Riley himself, as he approached 60, was enjoying both profits and respect, because so many Arkansans regarded his nursing homes as the state's best.

But Riley wanted to do more. He wanted to build Woodland Heights, a six-story, 172-unit apartment complex for the self-sufficient elderly. This facility in western Little Rock would combine luxury with features that were especially appealing to older people, like tight security and ready access to medical care. Residents would pay an entrance fee (around $63,000 for a one-bedroom apartment, for example) and a monthly service fee. Most of the entrance fee would eventually be refunded, but in the meantime, Riley would use the money to pay off construction loans.

Such a retirement complex made a lot of sense on paper, since the elderly were gaining in numbers, good health and affluence. Luxury apartment developments like Woodland Heights had been successful in other states.

But Riley could not be sure that Woodland Heights would be accepted in relatively poor, conservative Arkansas, where the elderly traditionally lived in their own homes when they were able and in nursing homes when they were not. Moreover, interest rates were high in 1983, and Riley faced huge carrying costs on an $8 million construction loan—for just the first half of the project—if he could not fill his apartments quickly.

He recalls: "I said to my wife, 'If we're going to build it, we're going to have to put everything we've got on the line. We can flat go bankrupt if we go into this project.' We talked about it, and we thought we could adjust. So we elected to do it."

Such serious talk was nothing new for the Rileys.

He remembers another "very pivotal discussion" a dozen years earlier. He had enjoyed some financial success for several years as a consultant on mergers and acquisitions, but when the economy slipped into recession, his income dropped sharply.

He was at a crossroads. He had to decide whether he should take a big risk, by buying a newly built, never-opened nursing home in North Little Rock (with backing from a group of limited partners), or return to being an employee, by accepting an $18,000-a-year job in a Little Rock bank.

"My wife was saying, 'We're going to run out of money, and this thing may work, or it may not,'" Riley says. "I finally said, 'Well, I've got a lot of fight left in me. If I can get this thing to work, I will achieve what I want to achieve. If not, I'll work for that bank. We'll have to move out of this house, and we'll have to resign from the country club. But I guarantee you that in 10 years I'll be back on top.' So she said all

When Pat M. Riley built Woodland Heights, a luxury retirement condominium in Little Rock—this is the atrium lobby—he was gambling that a market for his project would be there. "Nearly every sale has been hard," he says, but the gamble is paying off.

PHOTOS: T. MICHAEL KEZA

Riley works out in the weight room of the Excelsior Health Club, one of two Little Rock health clubs his company has bought because his four children are "interested in the health care business."

right, and we risked it all, what little we had."

In the popular imagination, entrepreneurship often is a one-shot gamble. A businessman or businesswoman guesses right—putting a store on the right corner or investing in the right product—and the money keeps pouring in after that. But for the true entrepreneur, like Pat Riley, there is never just one roll of the dice. Instead, the stakes keep getting bigger. A successful decision, like getting into the nursing home business, is only the prelude to bolder moves, like building Woodland Heights.

About that project Riley says: "I'd be $3 million richer if I hadn't done it"—although he expresses no regret that he did. The first 82 units opened in April, 1985, and "nearly every sale has been hard," he says. But Riley is at last beginning to win his gamble, as occupancy passes the 50 percent mark, and plans for the second half of Woodland Heights are being dusted off. And, true to form, new challenges are taking shape.

Riley, a fifth-generation Arkansan who got a graduate degree at Harvard Business School, faced a major challenge when he graduated in 1949: finding a suitable job in Arkansas.

He lay awake nearly all one hot summer night, weighing an offer of a job in Boston, and decided that he wanted a career "where my roots were."

There seemed to be no room in Arkansas' many small family firms for an ambitious young man who wanted to rise to the top; that place was reserved for a son or son-in-law. But Riley finally found a job with a Little Rock manufacturer of floor and wall tiles. The firm was controlled by Mosaic Tile Company, a large national concern, and Riley soon moved into a job with the parent company.

He spent 19 years selling tile for Mosaic, eventually supervising 16 branch offices. He enjoyed the work—he relishes recalling how he broke up hidebound sales and distribution patterns—but as he rose in Mosaic's hierarchy, his bosses began to insist that he move to corporate headquarters in Ohio. Riley insisted on staying in Arkansas.

Then, as he turned 40, "the same thing happened to me that happens to so many people at 40. You suddenly realize you haven't achieved all these ambitions and desires you've had, and you're no longer a kid. I wanted my own business. I wrestled with that problem fiercely for four years."

Ultimately, Mosaic changed hands. The new management sent out signals that Riley would not be retained, "so I got out." He had no job and no prospects, but he had enough money to keep himself going for a year. He hung out a shingle that said "Pat M. Riley & Associates, Mergers, Acquisitions" and began putting together deals for buyers and sellers.

One of his first deals involved a nursing home. Over the next few years, Riley to a large extent "made my living by negotiating with people who were selling nursing homes, and finding buyers and getting fees." At the start, he saw nursing homes as "a depressing business," but before long, he decided they were responding to a real need. He was ready when the opportunity arrived to become the principal owner and operator of the North Little Rock nursing home.

That home opened in September, 1971, with 168 beds; today the two Riley nursing homes (the second opened in Little Rock in 1978) have 448 beds in all, and total employment at Riley's, Inc., is about 300.

If there is a secret to the firm's growth, it is that Riley has hired his employees carefully. It takes at least five years, he says, to put together a first-rate nursing home staff, because the work is so demanding. He has sought people "who want to give service, and give it in a pleasant and happy fashion." And he has found them. For the visitor who thinks of nursing homes as gloomy warehouses for the elderly, the Riley homes are a striking contrast—cheerful and comfortable places, whose residents are encouraged to wear street clothes and use the beauty shops on the premises.

Many nursing homes depend on needy patients whose fees are paid by government through the Medicaid program, but the Riley homes have built such a good reputation that they attract numerous patients who pay their own way.

About one third of the patients at the North Little Rock nursing home are "private pay." All of those at the Little Rock facility are. Patients there enjoy services—like an on-premises physical therapist—that Medicaid's rates and red tape do not permit, Riley says. And by the same token, he enjoys more profits.

Riley, whose company grossed almost $7 million in its fiscal year that ended July 31, turned 63 this fall. He says he does not "intend ever to retire." Still, he has three daughters and a son, all except the youngest daughter working in the company, and he is thinking about "stepping aside a little bit for my children."

They are "not particularly interested in the nursing home business," Riley says, "but they are interested in the health care business." So he has acquired two health and fitness clubs in Little Rock. In the future, he says, "I may shift the emphasis of the company into that."

In other words, Pat Riley and his wife may very well have another of those "very pivotal discussions." NB

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Innovators

How management can develop entrepreneurship; founders who made a lasting mark.

By Sharon Nelton

Entrepreneurial Attitudes

ILLUSTRATION: GREGG FITZHUGH—EUCALYPTUS TREE STUDIO

"You don't have to be an entrepreneur to act like one," says Donald Zale, who contends that entrepreneurship is just as important to a firmly established company as it is to a start-up. He ought to know. He is chairman and chief executive officer of 64-year-old Zale Corporation, a nationwide jewelry retailing firm that has 13,000 employees, 1,350 stores and almost $1 billion in annual sales.

In a recent issue of the "Retailing Issues Letter," published jointly by Zale Corporation and the Center for Retailing Studies at Texas A&M University, Zale says the management that develops entrepreneurial attitudes can foster a "success mentality" throughout an organization, no matter its age or size. Here are 10 attitudes that he says can make a difference:

- Take risks but make them reasonable risks based on a clear evaluation of the expected and unexpected.
- Focus on opportunities rather than problems and make customer needs the primary focus rather than internal company interests or limitations.
- Constantly seek improvement, the keystone of productivity, profitability and customer satisfaction.
- Be impressed with productivity and not appearances.
- Recognize the importance of your own example. Emphasize an open door policy and personal contact as a leadership style. Stay in touch with employees at all levels.
- Keep things simple. Complex solutions don't necessarily produce incremental profits.
- Allow for some ambiguity. Everything need not be carefully explained in a manual.
- Encourage flexibility to find improved service opportunities and increased efficiencies. Understand that every opportunity has an elusive life and is a moving target.
- Discourage focusing on the negative; otherwise you may produce so much fear of failure that you squelch the entrepreneurial spirit in its tracks.
- Be purposeful and communicate the vision. There is a driving passion to make each opportunity work when everyone understands the corporate direction and the focus on consumers.

In Appreciation Of Innovators

This country lost two of its finest innovators this year. Wilbert L. "Bill" Gore was cofounder of W.L. Gore & Associates in Newark, Del., and Jan J. Erteszek was cofounder of The Olga Company in Van Nuys, Calif. Both were in their 70s when they died last summer.

Erteszek built a famous lingerie company. Gore developed Gore-Tex fabric and fibers, used not only for outdoor wear but in space suits and replacement blood vessels.

Their businesses were very different, but the men were alike in many ways. In particular, each sought to create more humanistic workplaces.

Gore devised the widely praised "lattice" organization, a model for executives looking for effective, nonauthoritarian approaches to management. The idea is that people work better in small groups or task forces, where they know everybody and can perform interactively and cooperatively. No one is "boss." Workers are called "associates," not employees. Describing the system once, Gore chuckled and said he could give orders, but nobody would take them.

Erteszek, noting that most people spend most of their waking hours at some form of work, saw business as "the prime community of our times," filling roles once held by neighbors, the church and the village. Olga Company workers are also referred to as associates. The firm, which started a profit-sharing plan in 1954, follows a full-employment planning policy that has helped it avoid major layoffs.

One of the most significant ways in which Gore and Erteszek were alike is that they were in business with their wives. Had it not been for Genevieve W. "Vieve" Gore, who encouraged her husband to quit his job at Du Pont and start a business in 1958, and who worked alongside him from then on, it is unlikely there ever would have been a W.L. Gore & Associates. Without Olga Erteszek's design and sewing ability, Jan Erteszek would have had to hook his wagon to some other star.

PERSONAL

To Your Health

Too busy to make time for a fitness regimen? These simple exercises can turn your office into a health club.

By Stephen A. Franzmeier

"Work out? I wish I had time." For millions of us, an exercise program is only a distant goal. We are convinced our days are just too crowded. But we also find that because we don't exercise, we tire easily—and are unfit and overweight and feel guilty.

What is the solution?

An exercise-when-you-can plan. Simply sandwich quick, easy and inconspicuous exercises between activities at work and at home. The time you spend will be so short that you will be able to stick to your program even when you are on a tight schedule.

It is possible to stay fit with a few brief exercises scattered throughout the day when you are *already* fit, according to Dr. John Jacoby, chairman of the department of occupational medicine at the Nicollet Clinic in Minneapolis.

"People who work in offices can maintain fitness by doing on-the-job exercises and following an aerobic program on weekends," he says.

The reason you can keep fit without a full-scale workout during the week, explains Dr. George Sheehan, is that the training benefits last for five days—the length of a normal workweek.

It is best to do your full-scale weekend workouts on Friday after work and on Sunday evenings, to head off detraining, says Sheehan, an exercise cardiologist at the Medical University of South Carolina in Charleston and author of five books on running and fitness.

He suggests the common fitness formula: 20 to 30 minutes of exercise that raises the heart rate to 60 percent to 85 percent of maximum heart rate (usually determined by subtracting your age from 220).

Exercise at the office can do more for you than keep you fit. Michael Podolinsky, president of Key Seminars, of Minneapolis, does leg lifts, neck stretches and an isometric exercise in which he presses his palms against his desk. The exercises not only help him improve his job performance, he says, but they also "make life at the office more enjoyable."

Stephen A. Franzmeier is a free-lance writer living in Elko, Minn.

Pressing and pulling the ends of a telephone receiver in front of your body and overhead will benefit the upper back and shoulders.

ILLUSTRATION: JERRY DADDS—EUCALYPTUS TREE STUDIO

Dotti Woodward, a printer who follows a regimen of isometrics in her office at the Campbell Soup Company in Camden, N.J., says her program relieves tension and makes her more productive.

They are not just imagining things, according to some recent medical research. A study by Drs. David G. Scott and James H. Ewing of Crozer-Chester Medical Center in Chester, Pa., showed that mild exercise improves concentration and problem-solving ability.

And Dr. Robert DeBusk, a professor of cardiology at Stanford University's medical school, headed a study that found that even "low-intensity exercise" is effective in improving the aerobic fitness of middle-aged, healthy but sedentary men.

"I exercise instead of drinking coffee to increase my alertness," says Andy Wood, an exercise physiologist at General Mills' corporate headquarters in Minneapolis and another proponent of desk-side workouts.

Dr. Jacoby suggests the following exercises for your office regimen. To be effective, each of the presses should be held for at least six seconds and performed three times every workday. The other exercises can be continued until your muscles begin to tire.

- Grasp the telephone receiver in both hands and hold it in front of your body. Pull apart, then press together. Hold it under your chin and do the same pulling and pressing motion. Finally, hold it over your head and repeat the motions. (Benefits upper back and shoulders.)
- Wearing five-pound wrist and ankle weights (available from sporting goods stores), do arm extensions and leg lifts while talking on the phone. Or, slip the toes of one shoeless foot through the handle of your attache case; raise and lower the case until you get tired. This is something you can also do while traveling. (Hips and shoulders.)
- Drop your arms to the sides of your chair and press inward with your hands for six seconds. Move the arms backward and forward and up and down, pressing the chair at different points so that you contract different muscles. If chair armrests make it difficult for you to reach the sides of the chair itself, press along the top of the armrests. (Arms, chest and shoulder muscles.)
- Stand beside your desk, touching it to support yourself while you march in place. Lift your knees high—up to your chest. (Hips and buttocks.)
- While seated, lean forward with elbows on your knees. Press hard. Raise your toes, then drop them. Raise your heels and drop them. Continue until you feel strain on your calves. (Legs.)
- Pull out your desk's bottom drawer. While seated, rest your feet on the drawer, holding your legs straight out. Bend forward from your waist until your knees bend. (Abdomen.)
- Kneel on one knee beside your desk. Return to a standing position. Then kneel on the other knee. (Legs, knees and ankles.)

Single copies of a desk exercise program widely used in Canada, "Exercise in the Office," are available free from the Canadian government. Write to: Fitness Canada, Ministry of Health and Welfare, 365 Laurier Avenue W., Ottawa, Ontario, Canada K1A0X6. NB

PERSONAL

It's Your Money

Could there be cash in what turns up among your cobwebs? Old paper has been known to provide a pretty profit.

By Ray Brady

You are poking around in the attic, and your eye lights on an old piece of paper. It is heavy, and it has fancy scrollwork around the edges, and you instinctively know that it is stock, perhaps bought by your parents or grandparents.

The dreams start. This may be like one of the stories you see about somebody finding shares in a company acquired many years ago by, say, General Electric that now are worth millions. What do you do?

Do *not* look up the company in the newspaper financial pages and, if it is not listed, simply throw the stock away. Chances are the company has changed its name or merged with another.

You can, of course, ask your broker to look up the stock. But, says Jack Lewin, of Stock Value Reports, in Skokie, Ill., "Unless you've got a very big account with the brokerage house, it is not going to take much time on that."

So your next stop may be a university or public library. The *Directory of Obsolete Securities* and the *Directory of Active Stocks*, both published by Financial Information, Inc., of Jersey City, N.J., list stocks dating from 1927 onward. If your certificate is older, turn to the *Robert D. Fisher Manual of Valuable and Worthless Securities* and the *Marvyn Scudder Manual of Obsolete Securities*, both published by R.M. Smythe & Company, a New York firm specializing in old stocks.

Also, there are services that will ferret out the stock's value for you. Among them are R.M. Smythe; another New York firm, Tracers; and Jack Lewin's firm.

Despite all the odds against getting worthwhile money out of a once-worthless stock, it does happen.

Take the experience of shareholders in the North European Oil Corporation. Founded in the 1920s, it flourished until World War II. Then, with Europe's industry subject to the Nazis' whims, the stock was declared valueless.

But over the next 30 years the company recuperated and went through various changes. In 1981 shareholders got three shares for each share they then held. As of this writing, a North European Oil Royalty Trust share of certificate of beneficial interest is worth about $19 on the New York Stock Exchange.

Ray Brady is the business correspondent for CBS News.

Even if the stock in your attic is of a company that has vanished into bankruptcy without a trace, the certificate may have value because of historicity or appearance.

Collecting old, intrinsically worthless stock and bond certificates has become quite a hobby (the hobbyists are called "scripophilists"), and that has given new value to documents that would otherwise be laughed off Wall Street.

What the hobbyists can do to the value of a stock is not to be sniffed at. Notes R.M. Smythe's Diana Herzog: "The ones that are trendy now are certificates signed by someone famous—like John D. Rockefeller, Sr."

Herzog's associate, Stephen Goldsmith, recalls a certificate for the old Standard Oil Company trust that had been signed by John D. It had no worth as a security because the trust had been dissolved— and all certificates redeemed—long ago. Yet it sold for $3,850 to a collector. Says Goldsmith: "People are eager to handle something that belonged to somebody wealthy."

He adds that "fun things, like certificates for Ringling Brothers, are also very popular." A Ringling Brothers certificate, decorated with clowns and circus animals, may bring $350 or $400 from a collector, depending on its condition.

When Ringling Brothers merged with Mattel in 1971, each share of common stock became exchangeable for .35971 of a Mattel share which—as of this writing—is worth more than $10 on the Big Board. If the Ringling certificate represents only a few shares, its worth is negligible compared with its value as a collector's item.

While that kind of money won't enable you to retire, there is always a chance that an old stock will be worth a real pile.

What was probably the most valuable "lost" stock certificate in history turned up after nearly a century of searching. The certificate known as Texas Pacific Land Trust No. 390 is worth $3.2 million.

In 1888, Texas Pacific Land Trust issued stock to finance railroad construction. Certificate No. 390 was bought by two brothers Blake, whose first names are unknown. Although all other certificates from that particular issue were redeemed, the Blake stock could not be found despite repeated efforts.

Then Jack Lewin talked about it to a San Francisco newspaper reporter, who wrote a story. An alert archivist for the Wells Fargo Bank in Dallas read the story. Lo and behold, the long-missing certificate was in the bank. It had been used as collateral for a loan.

The bank and the state of Texas are now locked in a legal battle for its possession. The winner, of course, will get $3.2 million.

It is hardly likely that something of as much value as Certificate No. 390 will turn up in your attic. But dreams, as they say, can come true. It might be worthwhile to rummage around. ■

PERSONAL

For Your Tax File

The reform law confronts you with decisions to be made on treatment of meal and entertainment deductions and property depreciation.

By Gerald W. Padwe, C.P.A.

That's (20 Percent Nondeductible) Entertainment!

PHOTO: ROGER ALLYN LEE—AFTER IMAGE

Businesses are facing one of the more irritating parts of the new tax law: the nondeductibility, starting in their next tax year, of 20 percent of business meal and entertainment costs.

The ostensible rationale for the change is that all meals and entertainment carry a certain amount of personal benefit. A more compelling reason, one suspects, is the $11.6 billion projected to flow into the federal treasury over the first five years of 20 percent nondeductibility.

Costs of meals eaten out of town on a business trip are as subject to the law as those eaten at a local restaurant or lunch club—or furnished by an employer on company premises (an employer-subsidized cafeteria, for example). Interestingly, if a company facility at least breaks even as a result of charges to employees, the 20 percent rule does not apply.

In light of the new nondeductibility, companies clearly are going to have to review their reporting arrangements on expenses for which they reimburse employees. Example: If an employee travels out of town, stays at a hotel and has breakfast at the hotel, the total hotel bill (including breakfast) should not be shown as one item on the employee's expense account; 20 percent of the breakfast charge is not deductible.

It will be interesting to see how the hospitality industry reacts to the changes. Many hotels provide a cocktail hour in the evening and a continental breakfast in the morning, at no separately stated extra charge, for certain higher priced rooms. In the absence of a specified amount for breakfast or cocktails—and unless there is a legislative or regulatory mandate that such charges be broken out—the full amount, presumably, will be deductible.

You may wish to keep another exception to the 20 percent rule in mind. If a business meeting includes a banquet, the banquet meals' cost is fully deductible for a transitional period—tax years beginning in 1987 and 1988—though not after that.

To qualify as a banquet, there must be at least 40 attendees, more than half the attendees must be in travel status while attending the meeting, and there must be a speaker.

The speaker provision was strongly supported by Senate Majority Leader Robert Dole (R-Kans.), who noted wryly that, in those two years, a banquet speaker "may even be a candidate for President."

Gerald W. Padwe is national director-tax practice for Touche Ross & Co. For Your Tax File *is an information service for readers. See tax and legal advisers on specific cases.*

Making The Most Of Depreciation

The new tax law requires new methods to be used in computing depreciation for property placed in service after 1986. But your business may elect to use the 1987 depreciation rules for property placed in service between Aug. 1 and Dec. 31, 1986, and this is a potential advantage under certain conditions.

Present law requires depreciation of personal property—as opposed to real property—at a rate of 150 percent of the declining balance, but the new rules allow a more favorable 200 percent. More significant, however: Most personal property, depreciated since 1981 over shorter terms, will fall into less favorable 5-, 7-, 10- or 20-year depreciation classes.

If your business elects to use the 1987 rules for depreciating property placed in service in the last five months of this year, it will have a one-time-only advantage. The top tax benefit in 1986 is 46 percent, the maximum pre-tax-reform rate on corporate income. In the later years the top corporate rate will be 34 percent.

Thus, the business can save a higher tax up front, although not in the future, while getting what benefits it can out of the 1987 rules.

The attraction of that advantage fades if real property is involved. The 1987 rules on depreciation life for business-owned real property are 27.5 years (residential realty) or 31.5 years (other realty), substantially worse than the 1986 19-year life. So a business that can do so may not wish to elect the 1987 rules for qualifying real property. Election is on a property-by-property basis, and it need not be for all property that qualifies.

Beware of another possible trap. If a business acquires at least 40 percent of its depreciable property in the last three months of its fiscal year, it will be entitled to only 1½ months' depreciation for that property in its first year, rather than the normal six months. This will effectively negate any advantage from making the election.

THE NATION'S BUSINESS

Where I Stand

Results of this monthly poll on important public policy issues are forwarded to top government officials in the White House and Congress.

1. Make It Tougher To Get Business Secrets?

The Freedom of Information Act, designed to ensure citizen access to most information the federal government collects, is used mainly by businesses to keep tabs on competitors. A House bill would set up an appeals process under which companies could bar disclosure of information they supplied if it might harm them. Some media people and consumerists say the act already exempts such information from release, making changes unnecessary. Supporters say current safeguards are inadequate. Should tighter safeguards for business secrets be enacted?

2. New Job Hazard Notification System?

A House committee has approved a bill to establish a national system, with a new bureaucracy, for identifying dangerous substances on the job and notifying exposed workers. The Reagan administration says that federal and state laws already require identification of hazardous substances and that the proposed method of identifying workers "at risk" is arbitrary and statistically unreliable. Labor unions say the present system does not adequately protect workers. Should Congress approve the proposed occupational hazard notification bill?

3. Teacher Salaries As High As $72,000?

The Carnegie Foundation, arguing that better teachers must be lured into public education if America is to be competitive in a high tech world, calls for national certification of teachers, a master's degree requirement for all new ones and higher salary levels—up to $72,000. (The average now is below $25,000.) Critics say that the plan's estimated $48 billion cost over 10 years is too high, given state budgetary constraints, and that it would mean big tax increases. Should the foundation's plan for higher teacher pay and standards be adopted?

Verdicts On October Poll

Here is how readers responded to the questions in the October issue's Where I Stand poll.

	Yes	No	Undecided
Should private employers have the right to require drug testing as a condition of employment or continuation of employment?	72%	23%	5%
Should Congress approve a Corporation for Small Business Investment?	42%	42%	16%
Should Congress approve a plan that requires business to subsidize state insurance risk pools?	14%	76%	10%

Send in your vote on the inserted postpaid card. Explanations of your views on any of these questions are also welcome as letters to the Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

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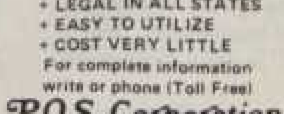

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Labor Of Liberty

I recently heard that the labor provided for the restoration of the Statue of Liberty was solely union. Is that true?
G.A.K., Port St. Lucie, Fla.

With the exception of French craftsmen who had specialized metalworking skills, all workers on the Statue of Liberty were union members, says Eugene McGovern, executive vice president of Lehrer/McGovern, Inc., the project's construction managers.

More On Foreign Trade

I would like to take my product into overseas markets. What do I need to know about doing business in a foreign country to get started?
C.G., Ashland, Va.

Do your homework on both the cultural aspects of the foreign country's business community and the country's legal trade requirements, says Lennie Copeland, author of *Going International: How To Make Friends And Deal Effectively In the Global Marketplace* (New American Library, 1986). The first stop is the U.S. and Foreign Commercial Service of the Commerce Department's International Trade Administration. The service, which helps American businesses make sales abroad, has offices in 70 U.S. cities. For the office nearest you, look in the phone book under U.S. Government or phone (202) 377-3808.

Also, the International Division of the U.S. Chamber of Commerce has specialists who can anticipate specific problems in trading abroad. Call the division at (202) 463-5460 or write 1615 H Street, N.W., Washington, D.C. 20062.

A Crafty Business

How can I start a crafts supply store?
L.L.G., Pico Rivera, Calif.

The first step is to establish working relationships with professionals active in the crafts business, says Sarel Offinger, public relations director for the Association of Crafts and Creative Industries.

A good way to meet the right people and get a comprehensive look at the crafts business is to go to a trade show,

ILLUSTRATION: WILLIAM COULTER

such as the National Crafts Supply Market in Orlando, Fla., next April 14-16. There you can examine available merchandise and talk to manufacturers' representatives who can, in turn, put you in touch with reliable suppliers. Also, attend workshops offered at these shows.

For more information, contact the ACCI, 1100-H Brandywine Boulevard, P.O. Box 2188, Zanesville, Ohio 43701; or call (614) 452-4541.

Extra Lessons

I am interested in starting a tutoring business. How can I get started? Whom can I contact about this?
D.W., St. Louis

Missouri's Department of Education encourages tutoring, says Richard Phillips, coordinator for its Division of Instruction. "Learning does not just take place between 8 a.m. and 3 p.m.," he says. If you want to help students qualify for state aid to cover the expense of your services, you must be licensed to teach by the education department. To run a more informal operation out of your home, however, you do not have to be certified.

Cruising For Profits

I would like to offer charter trips aboard a small boat in Annapolis, Md., to popular areas on the Mid-Atlantic Coast. How do I go about conducting proper market research?
D.R., Annapolis, Md.

Jack Donovan, director of Annapolis Bay Charters, which operates a service like the one you have in mind, says there is room in the area's charter market for growth. He suggests you assemble appropriate mailing lists and send out a questionnaire to potential clients. Donovan warns, however, that it is not realistic to expect worthwhile profits from chartering a single vessel on your own. He says you should let your boat be chartered through an established company, or you should charter many boats owned by other people.

Silk And Leather

Whom do you contact to get a list of Americans importing silk garments and leather products?
S.A.P., Scranton, Pa.

The American Association of Exporters and Importers publishes a directory of American importers of merchandise, including silk and leather products. To order a copy, send $30 to the AAEI, 30th Floor, 11 West 42nd Street, New York, N.Y. 10036.

Foreign Exchange

I am a foreign student at a U.S. university and would like to make some money in a small business of my own. Can I legally do this? My visa type is F-1.
W.H., Washington

Your visa, a student visa, authorizes you to work a maximum of 20 hours per week, says Duke Austin, an Immigration and Naturalization Service spokesman.

If you want more time for your enterprise, you must apply for an increase in the number of hours allowed. To do that, contact the Immigration Service's district office that has jurisdiction over your school's city.

How To Ask

Have a business-related question?

Write to: Direct Line, NATION'S BUSINESS, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

Making It

A business of a different color; the fishes that didn't get away; an animated partnership.

Profits From Purple

Complete with purple parasol, Louise Berenson shepherds her pushcart enterprise, Purple Panache. The business sells only purple items—a quarter million dollars' worth.

What do you do when you want an item in a specific color, and you are told repeatedly, "Sorry, we don't carry that color"? If your name is Louise Berenson, and you have a passion for purple, you find local craftspeople to create items in the color, rent a pushcart for use at Boston's Faneuil Hall (a historic waterfront building converted to a tourist mall) and begin a business. The business, Purple Panache, is now an expanding retailer of over 100 purple-only products, including teddy bears, running suits and laundry bags.

When Berenson began her operation in 1981, it was to escape "a long series of boring four-wall office jobs." A wife and mother of two children in their 20s, she wanted her own business. People advised her to start a venture based on a hobby or something she knew well. "I didn't have a hobby or know anything well," she says, "but after weeks of self-inventory, I kept coming back to one thing—I loved purple and had trouble finding clever gifts in that color."

Berenson had a hunch there were many purple lovers with her problem. Wary of trying to capitalize on her hunch in a high-overhead store, she opened her Purple Panache pushcart for a two-week trial period at Faneuil Hall, where foot traffic is heavy. She paid $200 per week for space.

"I knew nothing about retailing, markups or profit margins," she says. "I just went in blind and learned."

She learned well. She listened to customers' requests, asked questions, worked with local manufacturers to create quality customized offerings and scoured trade shows "always in search of that new, unique purple delight." Whenever a gut feeling told her she had hit on a perfect product, she bought it and repackaged it to make it more alluring. Stickers, ribbons, graphics and catchy phrases were added. Items such as buttons imprinted with bears saying "Purple makes life bearable," and running shirts with painted-on cats saying, "Purple is purr-fect," became hot sellers.

PHOTO: RICK FRIEDMAN—BLACK STAR

The Berenson touch extended to promotional gimmicks such as granting a 10 percent discount to customers who approached her cart dressed all in purple. Berenson compiled a mailing list of 25,000 purple lovers (all tourist buyers are urged to sign her purple people registry) and expanded into mail order. Says Berenson: "I do whatever I can to make customers buy—discounts, prettier packaging, nicer service."

Behind the goodies and gimmicks are sound business practices. "I've always paid all bills promptly, within a week," says Berenson. This, she claims, gets her the lowest purchase prices and results in excellent service from suppliers. In addition she keeps "overly current," reading 10 different trade publications and attending several coast-to-coast trade shows annually.

She always buys in small quantities "in case I choose a dud like the 'Purple Worry Stone,' which I was sure would be the new Pet Rock. It died without a funeral." Periodically she places display ads in *Seventeen* magazine, which have always brought her a good return on her advertising dollar. "*Seventeen*," says Berenson, "reaches our best market—the 14-to 30-year-old 'young miss' crowd with a lot of disposable income and a willingness to send away for things that catch their fancy."

Today Berenson employs 14 "associates" to work the Purple Panache cart seven days and six nights a week. Annual sales are about $250,000. She initially headquartered her business at home but has recently leased warehouse and office space. She has Purple Panache licensees working in malls and amusement areas in Michigan, Ohio, Utah, North Carolina and Illinois. Openings are planned in Texas and Colorado.

Though much of her time is now spent administering a purple empire that has branched into product designing, wholesaling, mail order and direct mail and party plan sales, she still spends half a day a week at her cart.

Says Berenson: "The secret of this success is detective work, leg work, total commitment, a love of what I'm selling and, most of all, the fact that I'm filling a purely purple need."

—Valerie Bohigian

Countrified Seafood

Winnie and Chris Dickerman brought a taste of the Washington waterfront to a rural corner of Northern Virginia when they opened C&W Seafood in Herndon. Their open-air roadside market offers fish, squid, shrimp and crabs.

PHOTO: MICHAEL ANDERSON

"I could not tell one fish from another," Chris Dickerman recalls, but he and his wife, Winnie, went ahead and opened C&W Seafood, an open-air, roadside market in Herndon, Va., six years ago.

"So we had to overcome the product knowledge problem," he adds dryly.

Today, Winnie says, "We have the best seafood market in Northern Virginia."

Like many entrepreneurs, Chris is a maverick. He dropped out of high school and joined the Army. On return from Vietnam, he tried a string of jobs, including field surveying and selling encyclopedias and cars. He met his future wife when he was tending bar in a Washington restaurant. A real estate agent, she made him mad by bringing clients in for drinks one evening just when he wanted to close up. Their brief verbal sparring match eventually turned into matrimony.

After bartending, Chris next worked for a civil engineering firm in Reston, Va., putting to use the drafting skills he had learned in high school and his experience in field surveying. Three years later, dissatisfied with the management, he quit.

Winnie's real estate career had also stalled. She had sold land and residential properties and had managed an apartment building before they moved to Reston. However, Winnie is a dwarf, 3 feet 9 inches tall, and the search for a new property management job was fruitless.

"People just didn't have the foresight to see all the things that I could do," she says.

When Chris's mother died, they decided to use the $10,000 she left him to start their own business. More important, says Chris, they finally realized they did not have to get up in the morning and go work for someone else.

"It sounds like a simple realization, but it isn't," says Chris, who contends that most people are programed to believe they have to get a job. "You don't have to get a job. *Make* a job."

They settled on the seafood business because they loved the relaxed, carnival atmosphere of Washington's wharves on the Potomac and wanted to recreate a similar ambience, if on a much smaller scale, in the Virginia countryside.

To solve his "product knowledge problem," Chris sought out Ben Edwards, who has a fish cleaning operation on the wharves. "He is a *genius* at cleaning fish. It's majesty to see the man work," says Chris, who made Edwards an offer: Teach Chris to clean fish, and Chris would pay him $20 a day plus all the money from the fish he cleaned.

While Chris learned the fish business from Edwards and other pros on the wharves, Winnie learned it from the Yellow Pages, finding where to buy cocktail sauce, seasonings, paper bags and other goods and services they would need to run their enterprise.

They also learned from their mistakes. Chris painted a sign and quickly realized that it had too many colors, too many type faces and too many words.

"I thought to myself, 'If I was driving down the road at 50 miles an hour, I wouldn't take time to read all that garbage.' " He made a simpler sign.

They rented a refrigerated truck for $600 a month and learned they didn't need a $600 truck. The crabs they transported from the wharves were too cold and died en route.

They also learned that fresh crabs get very agitated when warm. During their first week in business, they had no place to steam the crabs but their own apartment. One day that week, tired and frustrated from the rigors of starting a business, they brought a load of fresh crabs home. Chris had to run some errands, leaving Winnie to cook the crabs.

When he returned, he found her sitting on the kitchen counter, screaming at the hundreds of crabs that were now clawing their way throughout the apartment. They had gotten so hot and active from being transported that as soon as Winnie took the lids off their baskets, they scrambled out faster than she could catch them. She was terrified. "They're one of the nastiest things God ever put on this earth," says Winnie. "When they get hold of you, they hurt."

Together, she and Chris captured the wayward crustaceans, with Chris promising they would soon find someplace else to do the steaming.

C&W (for its founders' initials) survived the mistakes. The Dickermans don't reveal annual revenues, but they now have seven employees and are considering plans for expansion.

They chalk up their success to the fact that they have selling experience and are "people oriented."

The object of their business is not just to sell seafood, Chris says. "It's to sell seafood in an environment that's warm, communicative and comfortable and to have a good time."

A sense of humor helps the Dickermans accomplish their mission, and they frequently make fun of themselves. In a recent advertisement, they quote a character they call Blanche, who is telling a new neighbor all about C&W and its shrimp, fish, crabs, squid and scallops.

"We've known the owners personally since 1980," she confides. "They don't *smell* the best, but they're *lovely people*."

—*Sharon Nelton*

A Hands-On Family Partnership

Every successful entrepreneur knows that the trick is to find a need—a hole—and fill it. For a special father-daughter team, the hole was wasted television air time hissing away between scheduled programs. Many foreign, government-financed stations need no commercials to support themselves. When they broadcast U.S. shows, filmed to make time for commercials, there are many empty minutes between a program's end and when the next show begins.

In the world of international entertainment finance, where you get paid for each minute of air time you fill, Robert and Rachel Dunlap earn the same television per-minute rate in New Zealand as do the producers of "Dynasty" when it is shown there. Their product: short, general-audience animations that can air in those few minutes of empty broadcast space.

Robert Dunlap, an actor, and his daughter Rachel, now 13, started a Los Angeles film production company, R.E.D. Productions, in 1980 with $25,000 and a garage as their studio. Rachel, an eighth-grader, is an active partner in R.E.D. She and her dad, who is 43, are reluctant to talk about the income of their privately owned company. But they are well on their way to at least $3 million by 1989. This year they completed three film shorts, making a total of 20 films since they started.

Their first, a four-minute cartoon called "The Story Of Bing And The Magic Ring," grew out of one of Rachel's spelling exercises and the Screen Actors Guild strike of 1980. As 8-year-old Rachel was beginning to show a flair for writing through her schoolwork, Robert suddenly found himself out of acting jobs.

"I decided I didn't want to be at this town's mercy any longer," he says. "When I decided to start this business, I chose my daughter as a partner. Even at such a young age, she was a talented writer. She doesn't have to handle any of the financial burdens of the business. She concentrates on the artistic side."

Robert, a veteran of such movies as "Peyton Place" and "They Shoot Horses, Don't They?" (he was also the Orkin Man for nine years), says: "Our main problem has been getting people to take us seriously."

Rachel and Robert Dunlap have worked hand-in-glove for six years to build an animated film production company. A private school student, Rachel is given the flexibility she needs to meet her responsibilities as partner.

PHOTOS: CHRISTOPHER CABLER

Potential investors could hardly be blamed for questioning the wisdom of putting money in a project begun by an actor and a sober-faced 8-year-old. They had no way of knowing that this level-headed pair could turn whimsy into solid profits.

So the Dunlaps wrcte and produced their animated shorts without studio backing. "I used the money I had made in acting jobs and loaned the business money to start up," says Robert. The father and daughter set up their shop so that most of the work—drawings, music, processing, camera work—can be handled between the two of them with six part-time nonunion assistants.

In addition to being used as fillers in 78 countries, the cartoons have found a domestic market on American children's shows. Depending on the complexity of the animation (there are an average of 1,440 hand-produced drawings per minute), the staff required and the number of colors used, an animated film costs $2,000 to $3,000 per minute. This figure, says Robert, does not include labor and incidental costs such as publicity. The Dunlaps' distributor, which acts as a licensing agent, pays them quarterly for all revenue that it took in during the previous three months—provided it took in any.

While it is possible to pay for a film's production costs in a single screening, depending on the size of the audience, it rarely happens. Says Rachel: "The quickest return we have had on a film is six months, but the longest took about three years before we broke even."

And like all filmmakers, the Dunlaps have to worry about piracy and stolen tapes. "When we send a tape to Singapore, we expect the TV station that is our customer to send it on to its next booking—New Zealand, for example," Robert says. "We have to depend on customers to do that, and we're always worrying about someone 'disappearing' a tape."

The Dunlaps recently completed "Impact Earth," an hour-long show for Public Broadcasting Service. "We had no idea we'd be getting into the education market," says Robert. "It's all a matter of taking advantage of the opportunity." Producing for children also ensures a continuous market for the Dunlaps' work.

Says Robert, "As Walt Disney said, there's always a new crop every seven years of people who have never seen what you've done."

—*Joseph A. Harb*

COMMENTARY

Editorials

Disruption from proposed new federal regulation of employee benefits; an old idea with a new home.

Why The Federal Bureaucracy Should Stay Out Of Employee Benefit Issues

Day care for children of working mothers: Whose business is it?

It was, on its face, a well-meaning idea. All we want, said sponsors of The Parental and Medical Leave Act of 1986, is to assure parents that they will have a job to return to when they have to take time off because of the birth, adoption or serious illness of a child or because of illness or disability of their own.

Upon a close reading, however, an initial surge of support for the measure began dissipating, as often happens with legislation.

The measure would have given both male and female employees up to four months' unpaid parental leave and up to six months' medical leave. It would have required continuing company-paid health care benefits during their absence and guaranteed them the same or equivalent positions upon return.

Ominously, the bill also called for establishment of a federal commission to draw up a plan under which employees would be paid while on parental leave.

In complying with such a measure, small firms would confront the disruption caused by the prolonged absence of key workers or the expense of recruiting and training replacements. In many cases, it would be impossible to replace, on a temporary basis, workers with experience and skills required by a particular type of business.

Though small businesses' opposition defeated that sweeping measure in the 99th Congress, parental leave remains an important business issue, not only because of the bill's terms but also because it represents a disturbing trend. It is a trend toward accepting the concept that the federal government should mandate and regulate the extent of employer-financed benefits to workers.

That trend is a matter of deep concern for business.

For example, the federal government's proper role in determining the scope of worker benefits is very much a part of the growing discussion of day care for children of working parents, a subject treated at length in this month's cover story (page 16).

Much of that discussion now centers on the question of who holds primary responsibility for such care.

This is a matter to be determined by employers and employees on the basis of factors affecting each company and its personnel. The conclusion might be that no employer involvement is required. Or that workers would benefit from a referral system. Or that some form of employer assistance is advisable. Whatever the decision, it should evolve from the circumstances of a particular company and its workers.

What definitely is not needed is an entire new system of federal requirements on day care, including detailed regulations.

That should be the first point of agreement as the question of meeting day care needs assumes greater importance in the workplace.

PHOTO: T. MICHAEL KEZA

The More Things Change, Etc.

Massive commercial and residential development anticipated along the New Jersey side of the Hudson River across from Manhattan will bring hundreds of thousands of additional workers and residents into the area.

The project's scope is evident from its numbers—$125 million just for engineering and environmental impact studies; plans for 20 million square feet of office space, 2 million square feet of retail space and 30,000 housing units; 15 years for construction; the total cost to be computed in billions of dollars.

Development like that will, of course, generate vastly increased travel in an area that even now suffers from a large measure of traffic congestion.

New Jersey's Gov. Thomas Kean says: "Using a car to get around simply isn't going to be possible."

So what does a government do when faced with the need to provide transportation to new communities that lack adequate roads? Why, it does the same thing governments did when faced with the same challenge 75 and more years ago.

Government's answer, then and now: trolley cars.

Modern descendants of those reliable workhorses of a bygone era will meet a substantial part of the transportation needs of the new development.

(The cost will be modern, too. The price tag for the transit system, which will also include buses, will be $825 million.)

Afraid that technological, social and other trends are pushing the world along at excessive speed? You may gain a bit of reassurance from the realization that trolley cars will play an important role in a gigantic development project scheduled for completion in the 21st century.

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